

# How Insider Trading Adds Confidence to Firm Product Innovation

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# 2017 Winter AMA Conference

**BETTER MARKETING FOR A BETTER WORLD**

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## **Volume 28**

Editors:

**Rajesh Chandy**, London Business School

**Jeffrey Inman**, University of Pittsburgh

**Christine Moorman**, Duke University



AMERICAN MARKETING  
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# Preface and Acknowledgments

Throughout the world, marketers are helping consumers improve their lives, firms prosper, and societies function better. Yet as research in marketing has become more specialized, the field has become more splintered, and academic work has too often become detached from the most important challenges facing the world today. There are many conferences these days, but few scholarly events offer a "big tent" to bring together researchers who pursue very different approaches to the study of important marketing phenomena. Our hope is that this conference will offer a step toward creating this big tent.

The theme for the conference, "Better Marketing for a Better World," is one that we believe resonates today (perhaps more than ever). This theme puts the emphasis on a broad set of firm, consumer, policy, and market level outcomes that are important to the future of our field. Given this focus, we wanted to break out of the mold of traditional and well-established tracks and instead experiment with a set of cross-cutting themes that are phenomenon-focused and highlight the diverse disciplinary and methodological approaches that represent our field. These themes are:

- Driving positive consumer welfare
- Connecting for good: mobile, digital, social
- Improving the customer journey and services experiences
- Innovation for good: impact, sustainability, and scale
- Change and dynamics in marketing
- Metrics for making marketing matter
- Better food, health, and nutrition
- Communities and collaborations with customers and partners
- Managing human capital for better marketing and sales
- Marketing and consumption around the world

With the support of a terrific group of Associate Editors, Curators, and Poster Co-chairs June Cotte and Tom Brown, we were able to accept 250 papers to form 63 paper sessions and accept 100 posters for the poster session. Together with the 45 special sessions and the three pre-conference events, the conference program is the largest in the history of AMA Educator conferences!

There are several unique and exciting aspects of the conference program:

- **Three AMA Preconference Events** promise new insights on topics that cover the many approaches to scholarship in marketing: (i) How to create impactful CB research (Fischer, Janiszewski, Moreau, McGinnis); (ii) How to improve causal inference through field experiments and observational data (Chandy, Chintagunta, Gneezy, Grewal, Sudhir); and (iii) Current research and future directions in retailing and pricing (Gauri, Grewal, Mantrala, Roggeveen, Tsiros).
- **Better Marketing:** Numerous sessions examined the conference theme from various angles, with panels made up of leading scholars and AMA Fellows, including sessions on: (i) Researching stakeholder relationships (Gundlach, Hunt, Vargo, Varadarajan, Wilkie); (ii) Bringing the offering and customer together (Chandy, Kumar, Roberts, Srivastava, Winer); and (iii) Exploring the future of marketing scholarship (Lehmann, Lemon, Lilien, Roberts, Srinivasan, Wyner).
- **Digital as a Force for Change:** Several sessions feature thought leaders examining the drivers and implications of this emerging frontier of marketing knowledge, including sessions on: (i) The Internet of Things (IoT) (Belk, Hofacker, Novak, Schau, Shankar, Weinberg); (ii) Online collaborations (Ordabayeva, Srinivasan, Yadav, Anderson, Vilcassim, Chintagunta, Rindfleisch); (iii) The impact of digital innovation (Sheth, Reuber, Fischer, Giesler, Humphreys); and (iv) digitized customers and digitized markets (Bart, Brooks, Deighton, Lehmann, Stephen).
- **Fun in the big tent!** The social scene at the Winter AMA is taking a step up with the inaugural Chairs' Capstone Event on Saturday evening. Gather with your colleagues in a lovely outdoor space to enjoy spirited conversation, food stations for dinner, cocktails and live music! We promise plenty of networking opportunities (and friendly competitions, too). This is a first time event for the AMA so we hope you will join the fun.

This conference exists because of the many efforts and many talents of a large number of people. Linda Price, as President of the AMA Academic Council, sold us on the idea of co-chairing this conference, urged us to think differently about what was possible, and served as a source of leadership, inspiration, and help throughout the process. Our Curators and Associate Editors took on new and unfamiliar tasks, and delivered in a manner that has been both impressive and gratifying. Our authors and reviewers contributed an outstanding program, and one that represents the conference theme and goals: “better marketing” and “big tent.” Lynn Brown Reyes, Cher Doherty, and Matt Weingarden of the AMA took on the many aspects—large and small—of planning and execution, and helped create an exciting conference experience. To all of you, we offer our sincere thanks.

Welcome to the 2017 Winter AMA Conference (#AMAWinter). Here’s to a better world!

**Rajesh Chandy**  
London Business School

**Jeff Inman**  
University of Pittsburgh

**Christine Moorman**  
Duke University

# Best Paper Awards

## Best Paper in Conference

Customer Information Elicitation (CIE): The Impact of Privacy Assurance, Personalization, and Monetary Incentives

*Yiping Song, Fudan University*  
*Guiyang Xiong, University of Massachusetts at Boston*  
*Fue Zeng, Wuhan University*  
*Xueming Luo, Temple University*

## Best Paper by Theme

### Communities and Collaborations with Customers and Partners

Customer Information Elicitation (CIE): The Impact of Privacy Assurance, Personalization, and Monetary Incentives  
*Yiping Song, Fudan University*  
*Guiyang Xiong, University of Massachusetts at Boston*  
*Fue Zeng, Wuhan University*  
*Xueming Luo, Temple University*

### Connecting for Good

Understanding in-store Mobile Phone usage and Retail Sales  
*Carl-Philip Ahlbom, Stockholm School of Economics*  
*Lauren Beitelspacher, Babson College*  
*Dhruv Grewal, Babson College*  
*Stephanie Noble, University of Tennessee*  
*Jens Nordfalt, Stockholm School of Economics*

### Metrics for Making Marketing Matter

Signals from the Echoverse: The Informational Value of Brand Buzz Dispersion  
*Stefan F. Fischer, University of Goettingen*  
*Maik Hammerschmidt, University of Goettingen*  
*Welf Weiger, University of Goettingen*

### Food, Health, and Nutrition

What Is in a Scale? How Different Measurement Scales Lead to Different Progress?  
*Timucin Ozcan, Rollins College*  
*Kunter Gunasti, Washington State University*

### Driving Positive Consumer Welfare

Dominium Terrae: A Multilevel Analysis on the Relationship between Religiousness and Environmental Concern  
*Reto Felix, Marketing, The University of Texas Rio Grande Valley*

*Christian Hinsch, Marketing, Grand Valley State University*  
*Phillipp A. Rauschnabel, University of Michigan-Dearborn*

### Improving the Customer Journey and Services Experiences

Managing the Necessary Evil: Can Payment Methods Reduce Product Returns?  
*Ina Garnefeld, University of Wuppertal*  
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### Marketing to and Around the World

Product's Characteristics as Drivers of Trickle-Down and Reverse Innovation: Evidence from the Food Industry  
*Verdiana Giannetti, Marketing, Bocconi University*  
*Gaia Rubera, Bocconi University*

### Innovation for Good

Expertise and Innovation: An Experimental Study with Senior Executives in Marketing-Oriented Organizations  
*Sharon Sanger, Case Western Reserve University*  
*Jagdeep Singh, Case Western Reserve University*

### Managing Human Capital

Self-Selected Incentives: Evidence from Two Field Experiments on How to Customize Sales Force Incentivizing  
*Raghu Ram Bommaraju, University of Houston*  
*Sebastian Hohenberg, University of Mannheim*

### Change and Dynamics in Marketing

Is Data Driving Cooperation in the C-Suite? The Evolving Relationship Between the CMO and CIO  
*Stefan Sleep, Georgia Southern University*  
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# When and How Do Thin Human-Like Shapes Influence Spending?

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**Keywords:** *shapes, spending, social comparison, stereotypes*

**Description:** *The present research studies how thin human-like shapes can influence consumer spending.*

## EXTENDED ABSTRACT

### Research Question

Imagine the following scenario: You are shopping at your local store when you encounter a product shaped in a human-like form (e.g., Coca-Cola bottles or Pom's juice). As you continue shopping, is it possible that the exposure to those human shapes causes you to alter how much you spend on this shopping trip? To answer this question, we integrate knowledge gained from the stereotype activation, visual cognition, and social comparison fields.

Because Western society associates being thin with economic value, we argue a thin shape resembling thin human body types activates concepts related to positive financial outcomes, such as controlled spending and hard work. Furthermore, we propose that the effects on financial decision making depend on the perceived similarity between the visual target and the observer (Mandel, Petrova, and Cialdini 2006). Given the high discrepancy between a stereotype associated with a thin form and high-BMI consumers, we expect high-BMI consumers to contrast from the behavior of a thin target: they should exhibit a higher preference for indulgence in a financial context given thin (vs. wide) shape exposure. Similarly, we propose that exposure to a thin, human-like shape leads to a self-deflating judgment about one's capability to manage tempting impulses, which mediates the effect of human-like shapes on financial decisions.

### Method and Data

We test our hypothesis with the help of three experimental studies. Study 1 was designed to test whether exposure to thin versus wide human-like shapes increase financial control stereotype knowledge. Study 2 demonstrates the influence of thin, human-like shapes on indulgent spending

choices. Finally, Study 3 evidences the mediating role of self-efficacy.

### Summary of Findings

Across three studies, we find that when consumers see shapes that resemble a thin human form, they access positive stereotypical knowledge related to a thin weight group. Furthermore, depending on their own weight, they make systematic spending choices. Specifically, we find that high-BMI individuals tend to prefer indulgent options after exposure to a thin (vs. wide), human-like shape.

### Contribution

From a theoretical perspective, the present research extends the extant literature regarding how the weight of others in the environment influences consumer behavior. Prior work has examined how consumers exposed to overweight individuals tend to access negative stereotypes that then influence their food consumption. In contrast, we demonstrate that associations between thinness and financial control (i.e., positive stereotype) can affect spending decisions such as credit card usage.

In addition to contributing to the theoretical literature on the effects of stereotype priming, our results are highly relevant to the practical domain of weight management and stereotypes. Obesity has become an important health issue in the United States. The increasing trend in obesity rates is also accompanied by an increasing belief that weight and control are related. Given our results, consumer advocates should consider how highlighting a positive control-weight stereotype can be detrimental for high-BMI consumers.

*References are available on request.*

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# How Food Craving Drives Consumption of Healthy Foods: A Theoretical Framework Based on the Elaborated Intrusion Theory

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## ABSTRACT

Unlike the negative consequences of food craving such as overconsumption, in this study it is rather our aim to extract the positive aspects of craving by increasing it for healthy foods. We explain how the key components of craving (visual, gustatory and olfactory sensory cues) accompanied by some enhancer and suppressor variables, determine the magnitude of craving and how it will affect consumers' price sensitivity, their willingness to pay, and finally their desire for food intake.

**Keywords:** *food craving, elaborated intrusion theory, health food, impulsivity, healthy vs. tasty food*

## Introduction

Food craving—a motivational state and intense desire driving an individual to search and consume a particular food—is a pervasive phenomenon. Studies suggest that craving has been reported in 52–97% of people (Gendall et al., 1997; Weingarten and Elson, 1991). Food craving is considered to be different from hunger. Hunger is believed as a natural and instinctive calling, which will be satisfied with any kind of food; on the other hand, craving is an intense desire for a specific food, which is learned and shaped over time through the process of habit formation (Ronzio, 2003). Despite all explanations, its origins are still unclear. Some research has focused on biological stimuli, such as some physiological deficiencies (Benton and Donohoe, 1999); other has focused on its neurological or psychological underpinnings (Smith and Robbins, 2012). It is widely believed that episodic cravings are basically evoked by situational cues and contexts, which will likely elicit an urge to consume that particular substance. Yet, major studies suggest environmental cues such as food cues and sensory stimuli (visual, gustatory, and olfactory food cues) of those situational cues, underlying origins of food craving. Along with the EI theory of craving basis, which explains how the cognitive process of craving starts with an intrusive thought elaborated by mental imagery, we can say that certain stimuli are the most likely to form a vivid image of desired food, including how delicious

it looks, how pleasant it tastes and how good it smells, which lead to craving (May et al., 2015; Tiggemann and Kemps, 2005). Accordingly, there has been a recent well up interest in psychology as well as marketing as they apply to the role of sensory experiences in an individual's judgment and decision making. Above all, this research will preferably focus only on the impact of sensory cues on final consumption.

The negative consequences of food craving, such as overconsumption specified in people with dietary restraint, have been mentioned in several studies. Speaking to the trend of the public's increased obsession in obesity and desire for healthy foods, along with the public's decreasing desire for unhealthy foods, a study indicated that consumers can train their brain to crave healthy foods (high in fiber) instead of high-calorie unhealthy foods (Deckersbach et al., 2014). So it is rather our aim to extract the positive aspects of craving by increasing it for healthy foods. In this study we will explain how the key components of craving (visual, gustatory and olfactory sensory cues) accompanied by some enhancer and suppressor variables, determine the magnitude of craving.

By regarding the two-stage “price consideration” model of choice from a marketing point of view, which emphasizes the second stage of the purchase decision as the price-considering stage, and how cues resulting from the actual

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presence of food can have a major impact on the dollar value of that item as well as its consumption impulse, we are going to consider how the magnitude of craving will affect consumers' price sensitivity, their willingness to pay, and finally their desire for food intake.

## Literature Review

The Elaborated Intrusion (EI) theory of craving was developed to better explain the cognitive processes involved in craving for an addictive substance, such as nicotine or alcohol (in an extreme form), and motivations like food (in a normal form). According to this theory, craving begins with a spontaneous intrusive thought that is triggered by a range of cognitive, emotional, or physiological associations to thoughts or in particular to food. Intrusive thoughts only become desires when they are elaborated. The important thing about this theory is that it places mental imagery at the very heart of the craving experience (Kavanagh, Andrade, and May, 2005). The craving variables (strength, frequency and types of food cravings) depend on many factors, such as age and gender (Pelchat, 1997), different phases of menstrual cycle in women (Buffenstein et al., 1995), and individual body mass index (BMI) (Franken and Muris, 2005). However, by controlling these variables in our study, we are not regarding them as determinant variables.

We are going to offer a comprehensive framework (Figure 1) to understand craving for healthy foods by focusing on the effect of intrusive thoughts triggered by sensory interactions. Within this framework visual, gustatory and olfactory sensory cues play an important role in motivating food craving (antecedents); they are graphically depicted on the left-hand side of the framework. Such processes will eventually lead the consumers to be less sensitive to price, to be more willing to pay for that specific product, and to be more likely to consume food (consequences), as shown on the right-hand side of Figure 1. The proposed model also describes the influence of various factors moderating this process. The moderators have been categorized into two broad subsets: a set of distinct inhibitors that suppress craving, and a set of enhancers that increase craving, respectively. Next, we will describe the drivers and consequences of craving for healthy foods, and how it extends to marketing context.

### **Antecedents of Food Craving**

According to EI theory, intrusion has been recently noted as important products of mental imagery because they simulate the sensory and emotional qualities of target acquisition. In several studies, cravers reported their spontaneous thoughts about the desired target, involving olfactory, gustatory, or visual food imagery (Tiggemann, Marika and Kemps, 2005). It has been claimed that guided imagery such as the imagination of a drink can be even more successful at inducing

cravings in the laboratory than actually showing people a real drink (Litt and Cooney, 1999). However, based on Loewenstein's (1996) study, the potential importance of presentation mode is because of its role in enhancing the vividness and hence, raising the gratification of consuming the alternative in contrast to the symbolic presentation (e.g. photograph or description of alternatives). Because in marketing contexts some have described how the present display of the actual item will increase the consumer's willingness to pay (Bushong et al., 2010), in this study we are going to focus only on sensory interaction as a whole. Since situational cues are noted as reliable triggers of craving, we assume that among all of them the visual, gustatory and olfactory food stimuli are playing important roles in the initiation of food craving. Based on the retrospective and current view of craving experience, we will propose that involved visual, gustatory and olfactory sensory modalities are key components driving food craving.

*P1: Food craving is triggered by intrusive thoughts yield from sensory cues.*

*P1a: Visual cues will have a more significant positive impact on food craving than gustatory cues.*

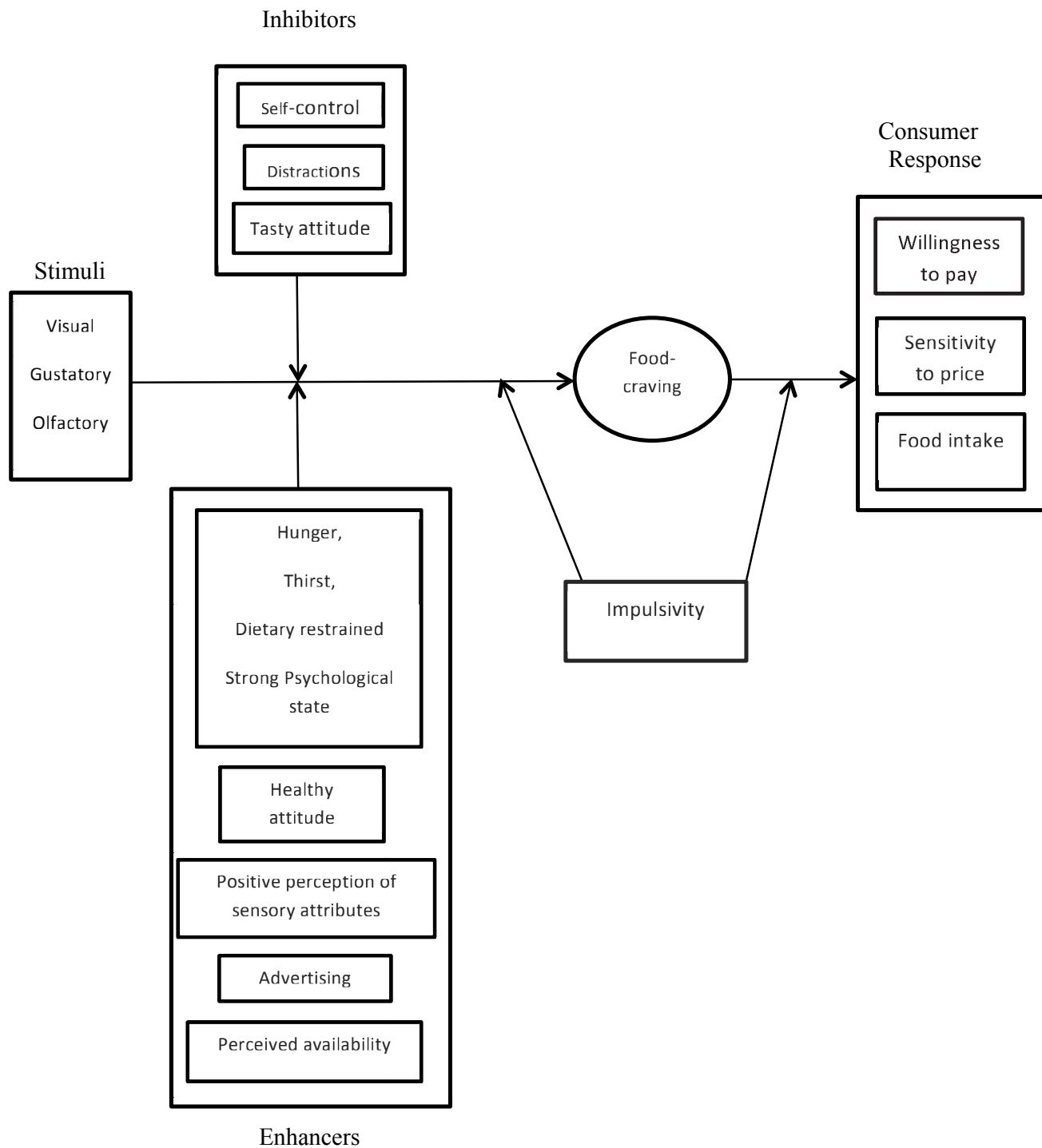
*P1b: Gustatory cues will have a more significant positive impact on food craving than olfactory cues.*

*P1c: Olfactory cues will have a more significant positive impact on food craving than auditory cues.*

### **Consequences of Food Craving**

There are plenty of two-stage decision making models proposed and employed in different contexts. Ching and his colleagues (2009) introduced a two-stage "price consideration" model of choice in marketing context. They proposed that only if consumers make a decision about purchasing a specific category of product (first stage), will they investigate prices and other attributes (second stage). In a majority of times consumers make decisions out of conscious which correspond to the impulsive decision making process (Chartrand and Bargh, 1996; 2002; and Chartrand et al., 2008) influenced by situational and environmental factors (such as advertising as well as appearance of product or other cues). A body of evidence suggests that environmental cues can have a major impact on the perceived value of an item (Seymour, Singer, and Dolan 2007; Balleine, Daw, and O'Doherty 2008; Rangel, Camerer, and Montague 2008). Bushong and his colleagues (2010), described how the display of the physical food, will serve as an unconditioned stimulus which will finally increase consumers' willingness to pay 40–61% more, rather than exposure of food image or food related text. We will propose that craving as an out-

**Figure 1.**



come of sensory cues will lead the consumer to be more willing to pay for that specific food.

*P2: Food craving positively impacts consumers' willingness to pay.*

In this study we assume that the decision making process preceded by food craving follows the same mentioned procedure and usually happens at the point of purchase (for example after exposure to that specific product or its related sensory cues). As an example, olfaction exposure condition

is capable of activating a high intensity of craving and desire for that specific product, and this is what influences consumption impulse (Moore and Arbor, 2008). At this point, the craving state, as a big modulator, will activate a behavior that leads to making contact with the appetitive item (or to ingest it). In this stream, we will propose that by the effect of craving, a consumer's second stage of choice (price consideration) will be more elasticized.

*P3: Food craving will diminish consumers' price sensitivity.*

*P4: Food craving will lead the consumer to intake the desired food.*

### **Inhibitor Moderators of Food Craving**

*Self-Control.* Generally, it has been claimed that consumers with high levels of self-control will be more successful in using self-control strategies in their self-regulating efforts than those with low levels of self-control (Tangney et al., 2004). With the new emphasis on desire, there would be a question about how problematic desires can best be prevented or be effectively regulated. In a recent study (Hofmann et al., 2012), the main focus was on strategies to prevent the occurrence of first stage of temptation, which is exposure to tempting situation or to stimuli altogether. Such proactive strategies may be more beneficial, because regulating a desire becomes more difficult as the desire becomes more elaborated. Since it is not always possible to implement such a strategy in tempting environments, self-regulation research can empower people with the best strategies for dealing with problematic desires. We will propose that with higher levels of self-control, the more ability in preventing the desire and craving s/he will have.

*P5: Self-control will reduce the effects of sensory cues on food craving.*

*Distractions.* Apparently, intense food craving interrupts cognitive functioning like losing focus on a task; partly because they use the same parts of the brain. As mentioned before, numerous laboratory studies show that desire-related food imagery occurs primarily in the visual, gustatory and olfactory brain regions. On the other hand, other studies have shown that engaging in a range of visual and olfactory tasks can reduce food cravings. The visual and olfactory imagery tasks also work stronger than the auditory imagery task in reducing participants' craving for food (Kemps and Tiggeman, 2007). In terms of the visual tasks, for instance, craving reduction can be applied by imagining nonfood or unrelated scenes (Kemps and Tiggemann, 2007). In support of the olfactory effect, they found that for example, imagining the smell of nonfood odors or simply sniffing a nonfood odorant (like vanilla) would also reduce food cravings. To

better explain, we can say that the generation and maintenance of mental images are usually done by a set of cognitive processes in multicomponent "working memory" introduced by Baddeley (1986, 2000). Based on the EI theory of desire for constructing and maintaining the desire-related images, only a limited working memory capacity will be involved, and thus interference of other tasks that compete for the capacity will divert their attention and will make a distraction that consequently reduces the craving and consumption. Although any cognitive task may work as a distractor, the tasks that engage the same working memory capacity more than others such as visual, gustatory and olfactory tasks will be the most effective in reducing craving. Thus, we will propose that the distraction resulting from task engagement after being exposed to visual, gustatory or olfactory stimulus, will negatively impact craving, especially for unhealthy foods (high fat, salty, or sweet).

*P6: Distractions will reduce the effect of visual, gustatory or olfactory cues on food craving.*

The main characteristics of craved food is found to be mostly like high in energy density and fat content, and low in protein and fiber contents, which are not going to be changed in consumers' minds after a dietary restriction period of time. On the other hand, science is proving that people can train their brain to crave for healthy foods (e.g., salads and fresh fruits) as well. Roberts and her colleagues (2007) designed a six-month trial to measure people's sensitivity toward unhealthy and healthy foods after making some of them follow a healthy-eating plan. After six months scientists analyzed participants' MRIs of the striatum (the neurological self-reward center), which is associated with learning and addiction. In people who followed the healthy-eating plan researchers noticed decreased activation in response to images of high-calorie (unhealthy) foods, and also increased activation in response to healthy foods. As a result we are going to find a set of moderators which enhance the craving for healthy foods.

### **Enhancer Moderators of Food Craving**

*Physiological and Psychological States.* It is a common assumption that exposure to food cues increases eating, especially in restrained eaters. In one experiment, restrained and unrestrained eaters were exposed to the smell of different kinds of foods. The results indicated that restrained participants were more susceptible to eat more of exposed food (its smell or the thought) than were unrestrained participants (Fedoroff et al., 2003). In a self-reported result of another study it was concluded that dieters experienced stronger cravings for the food they were restricted from than non-dieters. In addition, it was indicated that dieting was associated with a greater frequency of food craving (Hill, 2007).



Even The biased perception of restraint, for example from food impulses, had important negative consequences in people's self-control strategies (Nordgren et al., 2001). However, the analysis of an investigation in a study on women with dietary restraint indicated food craving to be weakly related to dietary restraint, but closely associated with participants' mood (e.g boredom and anxiety) (Hill et al., 1991). The results of Gilhooly and his colleagues' study on the examination of craved food characteristics in relation to dietary energy restriction during a 6 month period suggest that, although there were no changes in taste of craved food characteristic in consumers' mind, there was a relative influence of hunger susceptibility on cravings before and especially after energy restriction, but not during that period. In a study it was further shown that the food cravings were about hunger-reducing and mood-improving experiences, which leads the participants to wanting to consume highly pleasant tasting food (Hill and Heaton-Brown, 1994). It is believed that during hunger, intrusive thoughts will increase the accessibility of food-related information in memory (Berry et al., 2007). Thus, we will propose that physiological effects such as hunger, thirst, dietary restraint, and strong positive or negative psychological state (the individual's mood e.g anxiety and boredom) are moderators that positively affect craving. In terms of mood, results of a study indicated that men's comfort food consumption was stimulated by positive affects whereas women's consumption was motivated by negative emotions (Dube et al., 2005).

*P7: Some physiological and psychological strong states will positively moderate the effects of sensory stimuli on food craving.*

*P7a: Physiological state of hunger will positively moderate the effect of sensory stimuli on food craving.*

*P7b: Physiological state of thirst will positively moderate the effect of sensory stimuli on food craving.*

*P7c: Dietary restraint will have a major impact on food craving enhancement.*

*P7d: Strong positive or negative psychological states will trigger food craving.*

**Positive Perception of Sensory Attributes.** There are two forces resulting in "choice" as an outcome: purchase intention and unanticipated circumstances. Based on the structure of consumer choice behavior, consumers go through an elaborative process of decision making. Consumer food choice behavior also follows this procedure. Basic quality standards of food supply have been changed and increased during the last decade, however, it is still hard to determine if food

products fulfill the hygienic and sensory (of both the mind and the body) quality choice criteria (MacFie et al., 2012). The influence of palatability (the pleasure and the hedonic reward someone experiences while eating a specific food) on consumers' appetite and food intake is one of the most important stimuli for craving, and it has been investigated in several studies. The palatability of a food depends on its sensory properties such as taste, smell, texture and appearance (Cepeda-Benito, Gleaves, Williams, and Erath, 2000). All these sensory properties together influence spontaneous food choice. We will propose that positive perception of sensory attributes (taste, smell, texture and appearance) of a particular food will increase one's craving for a particular food as a personal variable.

*P8: Positive perception of sensory attributes of a particular food will increase one's craving for that.*

*P8a: Positive perception of texture and appearance of a food will increase the craving to a greater extent than other attributes.*

*P8b: Positive perception of food taste will stimulate food craving in second place.*

*P8c: Food smell is the least important food sensory property for craving.*

**Food Advertising.** External cues such as advertising can also increase craving as an outcome. Except the extent to which the advertising is appetitively charged (e.g. vividness of product descriptions), this response depends on individual differences (affect intensity and their dietary status) and some situational factors. People with high positive affectivity will respond more strongly to emotional stimuli and the enjoyment of sensory experiences (Larsen and Diener, 1987; Larsen et al., 1996; Moore and Homer, 2000). Moore and Konrath (2014) in their study found that people with high affect intensity experience more cravings and behavioral intentions because they have more emotional memories, weaker impulse controlling and they experience more intense levels of pleasure anticipation. They also claimed that in a dieting status, high positive affectivity has a significant relationship with vividness of food in an advertisement. By being exposed to a vivid ad, dieters with high positive affectivity will have more salivation response because they are assumed to be more emotionally attached to food. On the other hand, without high positive affectivity, nondieters salivated more when they were exposed to vivid food image ads rather than dieters. Related research finds that the bright light of an environment can enhance the perception of heat and warmth in the mind, and this perception can trigger the hot affective system (Xu and Labroo, 2014). Thus, advertis-

ing appeals that stimulate the hot affective system will be more affective rather than nonemotionally charged ads (Edell and Burke, 1987; Moore et al., 1995). Specifically, a study showed that ads affecting multisensory cognitions result in higher taste perceptions than ads focusing on taste alone (Elder and Krishna, 2010). So, we will propose that regardless of the level of audience's positive affectivity, advertising (especially using a vivid product description) will work as an enhancer for craving.

*P9: advertising (especially with a vivid product description in) will work as an enhancer for food craving.*

**Impulsivity.** Impulsivity or impulsiveness has been defined as a behavior that involves a tendency to act on a whim (internal or external stimuli), without adequate thought or no forethought. Simply put, it is an unplanned reaction to the stimuli, without regarding the negative consequences of that reaction (VandenBos, 2007). There are some studies positing how consumer's decision making is more influenced by their spontaneously evoked affective reaction rather than their cognitions in a relatively automatic manner. However, under a relatively controlled process they would prefer to choose salads rather than chocolate cakes (Shiv and Fedorikhin, 1999). Two main aspects of impulsivity have been noted as: reward-related impulsivity (sensitivity to reward or the intolerance to delay reward) and insufficient response inhibition to stimuli, which is a distinct psychological process (Solanto et al., 2001; Dougherty et al., 2003). In support of the first aspect we can say that impulsive smokers may overly crave cigarettes because they are particularly pursuing immediate reward stimuli and related cues (Doran et al., 2007). Inhibitory control can regulate cue-elicited craving in social drinkers, alcoholic people and smokers. It can also significantly influence food-cue reactivity as well. The results of a study investigating the effect of response inhibition levels and perceived availability combination on alcohol craving showed that only participants with the impaired response inhibition perceiving alcohol as available will experience a significant increase in cue-elicited craving relative to those who do not perceive it available. Interestingly, they had the same craving reactivity to water availability as well (Papachristou et al., 2012). Based on this study and some other studies we can say that disinhibited people may be more sensitive to salient cues than people with response inhibition (Patterson and Newman 1993; Dawe et al. 2004; Dawe and Loxton 2004). We can note that both impulsive aspects are closely associated to obesity, and so this association might suggest that impulsivity as a personality factor causes overeating behavior. For instance, it has been proven that obese children are more sensitive to reward (Dougherty et al., 2003) and are more intolerant for delay of gratification compared with lean children (Sigal and

Adler, 1976). Based on our model, we will propose that the first aspect of impulsivity (sensitivity to reward) will positively enhance the probability of craving. This effect would have a significant relationship with hunger as well. What's more, the second aspect of impulsivity (insufficient response inhibition) will moderate the relationship of craving and final purchase.

*P10: Impulsivity will positively moderate two phases of the effects of sensory stimuli on craving and craving on consumer response.*

**Perceived Availability.** Perceived availability of the substance or the perceived opportunity to intake the food in particular, (as a cognitive factor) might be an integral component of the conditioned stimulus to influence food craving. Consequently, with the lack of substance the stimulus complex would not be complete and no or less cravings may happen (Wertz and Sayette 2001). Some studies tried to indicate the significant main effect of perceived availability of alcohol as a distinct conditioned stimulus (Wertz and Sayette 2001; Juliano and Brandon 1998). However, Papachristou and his colleagues (2012) showed that the perceived availability of the substance is mostly qualified as a determinant variable in interaction or combination with other variables such as cue type, inhibition levels or time to increase craving. Supportive evidence for the role of perceived availability comes from a study on smokers, within which nicotine dependent smokers showed an increase in craving as exposing to smoking cues rather than perceiving no opportunity to smoke (Droungas et al. 1995; Juliano and Brandon 1998). In terms of food cues, it is posited that those cues predictive of food availability are powerful stimulator of appetite, food-seeking and consumption. (Blum, Kenneth et al., 2011). However, regarding the effect of amount of food on desire, in line with the theory of scarcity in marketing, people are more motivated and satisfied with their purchase when offered a limited array of choices rather than a more extensive array of choices (Iyengar and Lepper, 2000). Thus, we will discuss that how the availability perception of a stimulus like food increases people's probability of wanting, liking and choice.

*P11: Perceived food availability will significantly increase food craving.*

### **Other Moderators of Food Craving**

**Consumers' Attitude (Healthy or Tasty).** A study investigated how perceived healthiness of food, weight salience and restrained eating behavior affects food intake (Provencher et al., 2009). Results showed that dietary restraint and weight salience did not have a significant effect on snack intake, but participants ate about 35% more when the snack was



regarded as healthy than when it was regarded as unhealthy. Results of another study on attitudes of consumers to health and hedonic (taste-related) characteristics of foods showed that age and gender play important roles in consumers' priorities and interests. Females were more interested in the health and taste aspects of foods in contrast to males. Younger respondents were also more interested in taste and less concerned about health aspects than were older respondents (Roininen et al., 1999). Regardless of age and gender, we will propose that consumers' attitudes (concerning either healthy or tasty) can have a major impact on consumer's craving.

*P13a: Having a healthy attitude will negatively moderate the craving for unhealthy food and will positively moderate the craving for healthy food.*

*P13b: Having a tasty attitude will positively moderate the craving for unhealthy food and will negatively moderate the craving for healthy food.*

## Outcomes

Marketing and advertising companies use psychological tactics to stimulate consumers' desires and induce them into buying a given product or service as their final goal. It has been proven that craving is significantly correlated with two outcomes of salivation and behavioral intentions to eat that particular food (Moore and Konar, 2014). The pathway from craving to final consumption rests on the fact that how much the imagery stimuli (visual, gustatory and olfactory), imaginary consumption, sense of pleasure, and simulation is strong to produce the feelings of reward that heighten motivation to consume (i.e., craving) and weaken one's inhibition of buying that product. In a most recent study, the authors found that when the mental imagery stimuli are strong enough to aggravate temptations, participants are more willing to pay for that particular food (Christian et al., 2016).

## Contributions

### Theoretical Contributions

The purpose of this article is to examine the influence of intrusive thoughts yielded from sensory stimuli on craving, and correspondingly their influence on consumers' final consumption. Although previous studies on craving focused on its negative effects and how to suppress it (i.e., for smoking, alcohol abuse or drug consumption), this study makes insightful contribution to craving by investigating its positive effect on healthy eating behavior. Our work extends previous work in the psychology context to marketing literature by demonstrating how this psychological state will drive consumers' behavior. Along with some new papers attempting this we are trying to develop a theoretical framework to

guide future research in this area. As a side contribution, we identified distinct new sets of moderators that could potentially impact craving (positively or negatively).

### Practical Implications

By practically thinking about the outcomes, educating people in schools to be aware of their own self-control level as well as their situational impulsive responses, and training them to better change their attitude from tasty to healthy, will affectively help them to have a positive perception of healthy foods. From a marketing point of view, small changes in packaging can be influential in decreasing or increasing food craving. For example, the visibility of a nonproduct image on a package, or emanating specific non-related odorants from the package of a product, can be easily implemented as an attempt to distract and reduce food cravings and subsequently to reduce food consumption especially for restraint overweight consumers. On the other hand, demonstrating high resolution images of fresh fruits and vegetables or healthy foods on product packages or in menus at restaurants will enhance the craving in people. The sampling of a specific healthy food can be considered as the exposure to actual food, and based on our model it will increase people's healthy craving as well. It also can be concluded that the craving stimulated by using vivid healthy food descriptions in advertisements aired on radio or television in stores will be reinforced by the product availability perception. The raised healthy food craving will lead the consumer to seek that specific food for purchase and consumption.

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# Eat Me, Eat Me Not: Cute Food and the Consumer Disposition

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**Keywords:** *cute food, consumption motivation, food type, affect state, food consumption*

**Description:** *Cute food can be angel or devil depending on motivation, food type, and affect state.*

## EXTENDED ABSTRACT

### Research Question

This research addresses the following questions. Compared with neutral shapes, will cute shapes increase a person's food consumption? If so, will the advantages of a cute shape be contingent upon the consumption motivation, food type, and consumer's affective state? What are the boundary conditions for the use of cute food? Is it possible that the cute shapes may decrease a person's food consumption?

### Method and Data

This research conducted three experiments. Study 1 examined the moderating effect of consumption motivation on cute food with the outcome variable of actual food consumption. A 2 (food shape: cute vs. neutral) x 2 (consumption motivation: hedonic vs. utilitarian) between-subjects experiment was designed. Study 2 investigated the moderating effect of food type on cute food with the outcome variable of actual food consumption. A 2 (food shape: cute vs. neutral) x 2 (food type: vice vs. virtue) between-subjects experiment was designed. Finally, a 2 (food shape: cute vs. neutral) x 2 (food type: vice vs. virtue) x 2 (affective state: happy vs. sad) between-subjects design was conducted for Study 3.

### Summary of Findings

First, cute food works well in the presence of a hedonic goal, i.e., when eaters have a hedonic consumption motivation or when they face a vice (hedonic) food. Second, cute food backfires in the presence of a utilitarian goal (i.e., eaters with a utilitarian consumption motivation or eaters encountering

a virtue food). The results suggest that consumers of cute food perceive the utilitarian benefits of virtue food which lowers their consumption level. On the other hand, the neutral food shape is considered more appropriate since consumers expect healthy food to look serious. Third, when incidental affect is considered, cute food is found to have a positive effect on food consumption in the following two circumstances: happy people consuming vice food or sad people consuming virtue food. Cute food facilitates more vice food consumption for happy people. Cute food serves as an "angel" when sad individuals encounter virtue food since virtue food consumption is good for health. Fourth, cute food showed an observable boomerang effect on food consumption when sad people were faced with vice food. Sad people can be more alert to the "devil" side of vice food consumption when it comes with a cute shape.

### Key Contributions

This research contributes to the literature by (a) demonstrating the effect of a food's cute shape on that food's consumption, and (b) identifying the boundary conditions in which this effect might occur. Nenkov and Scott (2014) suggested the priming effects of whimsical cuteness on subsequent indulgent consumption. Different from Nenkov and Scott (2014), the current research focused on food contexts and examined contextual factors that could increase or decrease cute food consumption. Our results indicate that sadness may change people's interpretation of the cuteness cue. When people are not motivated to process the cuteness cue in detail,

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cute food may make people draw an association with indulgence and then give more weight to the hedonic benefits obtained through vice food consumption. This would then increase the consumption of vice food. However, when people scrutinize the cuteness cue, cute food tends to remind them of the potentially harmful and unhealthy consequences of vice food consumption. Therefore, vice food consumption

is reduced. This investigation also contributes to food lay theories, which have received recent attention. Raghunathan, Naylor and Hoyer (2006) provided “unhealthy = tasty” as a food lay theory. This research demonstrates that cuteness could be associated with unhealthiness or tastiness.

*References are available on request.*



# A Moderated Mediation Model of Eating Patterns and the Subjective Well-Being of Chinese Teenagers

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*Hongli Zhang, Jilin University*

*Hong Zhu, Northeast Normal University*

**Keywords:** *adolescents, consumer behavior, collective consumption, moderated mediation model, eating, China*

**Description:** *A test of a moderated-mediated model of eating patterns of Chinese teenagers finds that both eating with family and eating with peers is positively related to subjective well-being, with implications for the role that institutions play in facilitating collective consumption activities.*

## EXTENDED ABSTRACT

### Research Question

How does eating meals with family and peers relate to well-being for teenagers? More broadly, what role do public institutions play in restricting and fostering collective consumption activities?

### Method and Data

The data are based on a survey of 1004 urban Chinese teenagers, divided among 8th, 10th, and 12th graders and among three different tiers of schools (top, lower, suburban). A mediated moderation model was tested.

### Summary of Findings

For Chinese teenagers, eating with family and eating with peers is positively related to subjective well-being, with

the relationship mediated positively by family and peer identity.

### Key Contributions

In China's intense edcentric youth environment, the findings suggest that increased attention should be paid to building time for social opportunities into the schedules of secondary students. In a wider context, more conscious reflection is warranted on the role that institutions play in facilitating collective consumption activities, including social eating.

*References are available on request.*

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# Co-optation of Veganism

*Outi Lundahl, University of Vaasa, Maastricht University*

*Alexander Henkel, Open University*

**Keywords:** *co-optation, veganism, celebrities, media, environmentalism*

**Description:** *This study investigates how the co-optation of veganism happened in the UK and it develops a stage model of co-optation which highlights the role of celebrities in the process.*

## EXTENDED ABSTRACT

### Research Question

How did the co-optation of veganism happen in the UK?

### Method and Data

The aim was to conduct longitudinal media analysis for the time period of 2000–2015 for a large cross section of the British mediascape. The largest national newspapers from three different groups (tabloids, conservative broadsheets and liberal broadsheets) were chosen so that the final data set consists of seven newspapers: Times, Daily Telegraph, Independent, Guardian, Sun, Daily Mail and Mirror. The newspapers were searched using ProQuest Central database using keywords “vegan,” “vegans,” and “veganism” appearing anywhere within the article. All in all, the data consisted of 6623 articles.

The data was analysed using critically informed frame analysis. We started our analysis qualitatively, identifying recurring themes and key words. Using these themes, we then conducted an automated quantitative content analysis of the data using the computer program Linguistic Inquiry and Word Count. The custom dictionary was constructed by the two authors after the qualitative analysis. Qualitative analysis was then used to enable interpretation of these categories. We also contextualized the frames and the changes therein using historical analysis (Smith and Lux 1993).

### Summary of Findings

The stage model of co-optation argues that co-optation has taken place via the celebritisation of a parallel movement—environmentalism. Whilst in the first stage the framing of veganism was negative, it was through the alignment with

the scientific and political discourse that veganism slowly started to gain foothold in the media. However, this political discourse and emphasis on the “obligation to commons” (Johnston 2008) was diluted down by the involvement of celebrities which began to emphasise the “citizen–consumer hybrid” and “voting with one’s dollar” (Johnston 2008).

Similarly, it was celebrity involvement in the third and final stage that associated veganism—or more accurately, plant-based diet—with health and weight loss. Through this new framing and new vocabulary, veganism severed its ties with both the animal rights and environmental movement thus emphasizing “obligation to self” and thus finally co-opting veganism. At the same time the status quo was preserved from the radical message of the animal rights movement which is essentially aimed at overthrowing the ideology of speciesism.

### Key Contributions

The main contribution of this paper is a stage model of co-optation which highlights the role of celebrities in the process. This is important as co-optation research has tended to focus more on understanding how a subcultural group resists and negotiates mainstreaming rather than how co-optation actually happens (Sandikci and Ger 2010). The model highlights the need for a more dynamic understanding of co-optation which sees co-optation not merely as a competition between the countermovement and vested interests but accounts for all the different actors and forces which affect the process.

*References are available on request.*

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# Improving the Efficacy of Posted Calorie Information Through the Strategic Use of Provincial Norms

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**Keywords:** *provincial norms, calorie information, decision making, healthy choices*

**Description:** *This research presents a means by which to improve the efficacy of mandated posting of calorie information to elicit healthier decision making through the strategic use of provincial norms.*

## EXTENDED ABSTRACT

### Research Question

In accord with the Patient Protection and Affordable Care Act of 2010, the FDA has mandated directly posting calorie information on menus. Though this mandate was intended to help consumers make healthier decisions, extant research has highlighted that the posting of calorie information is largely ineffective (see Long et al. 2015). We believe that this failed efficacy is largely due to consumers' perspective on consumption—a perspective that favors subjectivity over objectivity. In response, we offer a strategic means by which to increase the consumers' objectivity through the use of provincial norms. Specifically, we demonstrate that provincial norms prompt consumers to assimilate posted calorie information into their decisions as a result of increased objectivity. Thus, exposing consumers to provincial norms provides a clear and effective means of improving the efficacy of posted calorie information to generate healthier consumption choices.

### Method and Data

We present and test a strategic means by which to improve the efficacy of the calorie mandate through the use of provincial norms. Specifically, to test our hypotheses we worked with a *Cinnabon* in New York City, using a quasiex-

perimental design, to assess the impact of provincial norms at the point-of-purchase. This field study was then followed up with a lab study to replicate, build upon, and extend the findings of the field experiment.

### Summary of Findings

As provincial norms highlight the behavior that is appropriate and acceptable in specific contexts, we argue awareness of this norm increases reliance on calorie information by heightening the objectivity of the decision. In support of this conceptual model, a field and lab experiment demonstrate that: (i) consumers reduced the total calories ordered when exposed to provincial norms, and (ii) this calorie reduction occurred as a result of increasing the objectivity of the decision. Thus, despite the lack of efficacy with current policy regarding the posting of calorie information (see Long et al. 2015), these findings present a strategic means to improve the intent of the mandate.

### Key Contributions

This research addresses a timely and critical issue in regard to how to improve the failed efficacy of the mandate requiring the posting of calorie information on restaurant menus (see Long et al. 2015). In response, we propose a strategic

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means by which policymakers can improve the efficacy of this mandate by which to help consumers assimilate calorie information to make healthier decisions through the use of provincial norms. Thus, despite the lack of efficacy with current policy regarding the posting of calorie information,

these findings present a strategic means to improve the intent of the mandate.

*References are available on request.*

# Choosing Fast and Slow: Processing Mode and Consumer Response to FOP Nutrition Label Formats

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**Keywords:** *front-of-package nutrition label format, food choice, processing mode, motivation to read the label, nutrition knowledge*

**Description:** *This study focuses on the role of processing mode to explain the differences in the effect of FOP nutrition label formats (GDA vs. TL) on healthy food choice which itself is a function of personal features (motivation and nutrition knowledge).*

## EXTENDED ABSTRACT

### Research Question

Does processing mode mediate the effect of FOP nutrition label format on healthy food choice and what are boundary conditions of the effect?

### Method and Data

This study was a 2 (FOP nutrition label format: GDA, TL) x 2 (motivation: targeted, nontargeted) between-subjects online experiment. In this study, 155 American participants from MTurk were randomly assigned to one of four experimental conditions. The manipulations of the FOP nutrition label formats were placed on the front of a hypothetical frozen pizza package. Pizza was chosen because it was widely used in previous studies as a nutritionally mixed product (Andrews et al. 2011). Two different nutrition label formats including “Traffic light” label and “GDA” label were employed in this study. The stimuli included two pizza items (Pizza Alfa–Pizza Beta) that were identical in the design however they differ in nutritional values.

We manipulated the targeted-motivation group by instructing subjects to follow a low-fat and low-salt diet. Nontargeted motivation participants did not receive any instruction (adopted from Balasubramanian and Cole 2002). To investi-

gate how intuitive versus deliberate was the processing of different FOP nutrition label formats, we assessed processing mode through one 5-point bipolar scale (1 = Intuitive, 5 = Deliberate). To measure healthy food choice (DV), participants were asked to indicate which pizza they would prefer without hinting them about choosing a healthy option (Definitely Pizza Alfa, Definitely Pizza Beta).

### Summary of Findings

1. This study empirically showed that processing mode mediates the impact of FOP nutrition label format on healthy choice. Specifically, intuitive versus deliberate processing mode explains the favorable impact of FOP nutrition label formats on healthy food choice.
2. It demonstrated that consumers make a healthy choice by processing the GDA label deliberately and processing the traffic light intuitively.
3. It declared that the indirect effects of FOP nutrition label format through processing mode are conditional on personal features. That is, the GDA label impacts healthy food choice when it is processed deliberately by consumers with high motivation and medium level of nutrition knowledge. On the other hand, the traffic lights label

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impact healthy choice when it is intuitively processed by consumers with high motivation to read the label and high nutrition knowledge.

### **Key Contributions**

1. This study offers new conceptual insight into the relationship between FOP nutrition label format, processing mode and healthy food choice. Specifically, it explains how consumers processing mode influence the effectiveness of different nutrition label formats.
2. It addresses the disparity in the findings of the literature about which type of nutrition label format is best impacting the food choice.
3. Our findings extended previous research that has showed the difference in the effect of different FOP nutrition label formats on food choice. These findings provide an integrated framework to explain why these different effects occur.

*References are available on request.*

# Exploring Food Waste: The Role of Health Motivation

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**Keywords:** *food waste, health motivation, virtues and vices, immediate gratification*

**Description:** *Food waste is driven by inconsistencies between planned decisions on what to eat and decisions on what is actually consumed and is in particular large for consumers with a high controlled health motivation who have initially chosen many virtuous products.*

## EXTENDED ABSTRACT

### Research Question

One-third of all edible food products for human consumption is wasted or lost in the supply chain, with negative social, economic and environmental consequences. Although consumers are the single largest contributors to food waste in industrialized countries, food waste has not received much attention in the literature. The present research develops a comprehensive framework that explains the theoretical mechanisms behind food waste from a consumer behavior perspective, while taking into account the decisions made at both the choice and consumption moment. We explore:

1. What are the theoretical mechanisms behind consumers' waste behavior?
2. What is the role of temporal distance between choice and consumption moment, such as when consumers buy their groceries for several days in advance? Does temporal distance affect whether consumers rather choose vice or virtue food?
3. How do the choices initially made affect (unplanned) consumption and finally waste?
4. Does health motivation play a role in driving or inhibiting food waste?

### Method and Data

215 students (47% male) were offered a free lunch that they could voluntarily sign up for, either at the same day or for

two weeks in advance. The study covered a 2 (temporal distance: same day vs. two weeks later) x 2 (possibility to choose unplanned food during consumption vs. not) between-participants design. The students could choose from a menu consisting of 3 virtue and 3 vice items. During the lunch, two of the four groups were allowed to choose extra unplanned virtue and vice foods if desired. After the lunch, participants' food waste was individually and manually weighted. Immediately after lunch, participants filled in a short survey with regard to their satisfaction. A week after the lunch took place, participants filled in an online survey that covered questions about additional sociodemographic information and personal traits, among which health motivation.

### Summary of Findings

We cannot confirm previous results that a higher share of virtues is chosen when consumption is distant, which may be due to our use of a student sample. The decision to make unplanned choices at the moment of consumption does not depend on the share of virtue food previously chosen, but rather on the amount of food ordered before. Participants who placed small orders before were more likely to order extra, in particular if they had a high autonomous health motivation. However, despite the genuine willingness to eat healthy, most unplanned foods these consumers chose were vices.

In line with our theorizing and reports that in particular virtue food gets wasted, food waste is driven by the share of virtue food chosen. In particular consumers with a controlled

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health motivation waste more when they order more virtue. Intuitively, food waste also increases when more food is ordered. In particular consumers with a strong autonomous health motivation wasted more when they ordered more, probably because these consumers are able to exert portion size control and stop eating when they are saturated.

### **Key Contributions**

Although consumer food waste has severe negative social, economic and environmental consequences, the topic of why consumers waste food has not received much attention in the literature. This paper contributes to the literature by filling a gap in food waste research. We develop a comprehensive

framework that explains the theoretical mechanisms behind food waste from a consumer behavior perspective, while taking into account the decisions made at both the choice and consumption moment. We provide novel evidence in the theoretical understandings of why consumers apparently buy more food than they consume and therefore waste it. In sum, buying too much, buying a high percentage of virtues, and pandering to immediate desires not only results in more food waste (e.g. with negative consequences for the environment, society and economy) but also for personal circumstances (e.g. unnecessary financial losses, weight gain).

*References are available on request.*

# Exploring WIC Participants' Fruits and Vegetables Redemption Behavior: An Empirical Examination of Virginia's Electronic Benefit Transfer (EBT) Transaction Data

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*Chuanyi Tang, Old Dominion University*

*Qi Zhang, Old Dominion University*

**Keywords:** *WIC program, fruits and vegetables consumption, redemption behavioral patterns, low-income consumer, food security*

**Description:** *Utilizing 2.7 million of Electronic Benefit Transfer (EBT) transaction records from the Virginia WIC program in 2015, this study objectively evaluated WIC participants' fruits and vegetable (F&V) redemption behaviors.*

## EXTENDED ABSTRACT

### Research Questions

Food assistance programs such as The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) play an important role in reducing food insecurity in United States. However, little is known about the participants' redemption behavior in these programs. Focusing on WIC participants' fruits and vegetables (F&V) redemption of fruits and vegetables issue in Virginia, this study explored three research questions: (1) What is WIC participants' redemption preference in terms of fruits and vegetables? (2) What is the average redemption rate? (3) How the redemption rate is related to WIC participants' demographic variables?

### Method and Data

This study received data support from the Virginia Department of Health Services (VADHS) and was conducted based on Virginia WIC participants' redemption data. The final dataset used in our analysis includes 157,457 WIC households along with 2.7 million of their redemption records

from January to December 2015. Frequency statistics were used to identify WIC participants' preference for fruits and vegetables with the help of Nvivo software. A random effects model with an unbalanced panel was employed to evaluate the WIC participants' redemption behaviors.

### Summary of Findings

Our results show that banana and salad were the most popular choices of fruit and vegetable respectively. Some other items such as apples, grapes, corn, and onion were also popular among WIC participants. Further empirical analysis showed that, among different demographic groups, Blacks have the relatively lowest F&V redemption rate. Hispanics and other minority races are more likely to fully utilize their WIC benefits than Whites and Blacks. As age and family size increase, a WIC participant is more likely to highly redeem F&V benefits. In addition, those with a higher education level are more likely WIC participants to redeem their F&V benefits. Married WIC participants have a significantly higher redemption rate than those single, separated or widowed.

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## **Key Contributions**

Research on the WIC program has been well established in nutrition and healthcare research. However, little research has been conducted from the marketing and consumer research perspective. This study exclusively explored WIC participants' F&V redemption rate and behavioral patterns by using objective redemption data. This study contributes to the literature on the WIC program and low-income consumers' food consumption in several important ways. To the best of our knowledge, this is the first study that employed WIC participants' real-time redemption data to evaluate

WIC participants' redemption behaviors. By analyzing about 2.7 million EBT transaction records, this study provides an accurate and objective evaluation of WIC participants' food preference and redemption behaviors regarding F&V. The information provided in this study will help consumer researchers and public policy makers better understand the behaviors of the consumers who are experiencing food insecurity and provide implications for WIC managers to improve the WIC or other food assistance programs.

*References are available on request.*

# Not All Organic Food Is Created Equal: The Role of Product Type, Perceived Authenticity, and Construal Level

*Hua Chang, Towson University*

*Lingling Zhang, Towson University*

*Jung-Sook Lee, Towson University*

**Keywords:** *organic food, product type, construal level, perceived authenticity*

**Description:** *This research examines how and why consumers react differently to different types of organic food from schema congruity and construal level perspectives.*

## EXTENDED ABSTRACT

### Research Question

Despite the prevalence of the consumption of processed organic foods and consumers' different perceptions about organic food (Rittenhofer and Klitgaard Povlsen 2015), few studies have examined how and why consumers may react differently to fresh and processed organic foods. In the context of organic food market, consumers' existing schema about organic foods center on the idea that they are natural and not processed to any great degree (Dean, Raats, and Shepherd 2008). Consumers can easily identify organic produce as being organic when it is sold fresh, which suggests schema congruity among consumers and lead to ease of information processing. On the other hand, if ingredients are combined and processed (e.g. processed organic food), consumers' understanding of "organic" would be different and conflicts with their existing schemas. Therefore, we propose that consumers will exhibit more positive attitudes and higher purchase intentions towards fresh organic food than processed organic food.

Authenticity judgments could be a critical factor when evaluating organic food. The congruency leads consumers to perceive fresh organic food as more authentic, develop more positive attitudes and higher level of purchase intention. Perceived authenticity thus mediates the relationship between product type and consumers' attitudes and purchase intentions. In addition, when processed organic food is paired with advertisement messages that evoke high-level con-

strual, such as organic food is simply better and healthier, the incongruity between processed organic food and existing schema about organic food in general is less salient to consumers, which results in similar attitudes and purchase intention to that of fresh organic food. In this sense, schema congruity effects for processed organic food vs. fresh organic food will be moderated by the construal level of messages about organic foods in the advertisements.

### Method and Data

A pretest was conducted to identify the types of organic food in terms of schema congruity and the level of construal in advertisement messages. A 2 (product type: fresh organic vs. processed organic) x 2 (construal level: low construal vs. high construal) between-subject design was employed. A total of two hundred and fifty-one participants (56% male; 18-70 years) were recruited from Amazon Mechanical Turk, and received monetary compensation in exchange for their participation.

Four versions of an ad for organic tomato (fresh/processed x low/high construal) were created. In the four advertisements, we included the product type and message construal level manipulations. Participants were randomly assigned to one of the four conditions and told that they will view an advertisement and provide their opinion on the advertised product. Next, they were exposed to different version of the product ads and were asked to indicate their attitudes and purchase

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intentions. After that, participants answered a series of questions that assess perceived authenticity, benefits of organic product, manipulations, and demographics. Toward the end of the experiment, they were administered a demand probe, which revealed that they were not aware of the true nature of the experiment.

### **Summary of Findings**

A 2 x 2 ANOVA reveals that the main effect of product type is significant. Consumers tend to perceive a higher level of schema congruity towards fresh organic food than processed organic food, and have more positive attitudes and higher purchase intentions toward fresh organic food than processed organic food. In addition, we identify consumers' perceived authenticity as the underlying mechanism for the differential effect of organic food type on consumers' attitudes and purchase intentions. We find that consumers are more likely to perceive "processed" incongruent with "organic," which leads to a low level of perceived authenticity. This research further demonstrates that when ad messages are construed at a low level, consumers tend to have more positive attitudes and purchase intentions towards fresh than processed organic food, whereas no difference is observed when ad messages are construed at a high level and focus on general benefits.

### **Key Contributions**

This research contributes to the literature on multiple fronts. First, the findings extend the research on schema congruity in the context of organic food and provide a better understanding of whether and why consumers view fresh organic foods and processed organic foods differently from a cognitive information processing perspective. Second, this research uncovers the mechanism underlying the effect of schema incongruity on attitudes and provides empirical evidence to demonstrate the mediating role of perceived authenticity in consumers' evaluation of different types of organic product. Third, this study complements the literature of construal level theory by examining the impact of construal level on consumers' evaluation of different types of organic food (fresh vs. processed). In addition, this research also provides practical implications in how companies can strategically use ad messages (e.g., concrete vs. abstract) to promote organic foods. Our findings provide encouraging results for marketers to increase ad persuasiveness via integrating the construal levels of messages with types of organic foods more effectively.

*References are available on request.*

# Not All Organic Food Is Created Equal: The Role of Product Type, Perceived Authenticity, and Construal Level

*Hua Chang, Towson University, Towson*

*Lingling Zhang, Towson University, Towson*

*Jung-Sook Lee, Towson University, Towson*

**Keywords:** *organic food, product type, construal level, perceived authenticity*

**Description:** *This research examines how and why consumers react differently to different types of organic food from schema congruity and construal level perspectives.*

## EXTENDED ABSTRACT

### Research Question

Despite the prevalence of the consumption of processed organic foods and consumers' different perceptions about organic food (Rittenhofer and Klitgaard Povlsen 2015), few studies have examined how and why consumers may react differently to fresh and processed organic foods. In the context of organic food market, consumers' existing schema about organic foods center on the idea that they are natural and not processed to any great degree (Dean, Raats, and Shepherd 2008). Consumers can easily identify organic produce as being organic when it is sold fresh, which suggests schema congruity among consumers and lead to ease of information processing. On the other hand, if ingredients are combined and processed (e.g. processed organic food), consumers' understanding of "organic" would be different and conflicts with their existing schemas. Therefore, we propose that consumers will exhibit more positive attitudes and higher purchase intentions towards fresh organic food than processed organic food.

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strual, such as organic food is simply better and healthier, the incongruity between processed organic food and existing schema about organic food in general is less salient to consumers, which results in similar attitudes and purchase intention to that of fresh organic food. In this sense, schema congruity effects for processed organic food vs. fresh organic food will be moderated by the construal level of messages about organic foods in the advertisements.

### Method and Data

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intentions. After that, participants answered a series of questions that assess perceived authenticity, benefits of organic product, manipulations, and demographics. Toward the end of the experiment, they were administered a demand probe, which revealed that they were not aware of the true nature of the experiment.

### **Summary of Findings**

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### **Key Contributions**

This research contributes to the literature on multiple fronts. First, the findings extend the research on schema congruity in the context of organic food and provide a better understanding of whether and why consumers view fresh organic foods and processed organic foods differently from a cognitive information processing perspective. Second, this research uncovers the mechanism underlying the effect of schema incongruity on attitudes and provides empirical evidence to demonstrate the mediating role of perceived authenticity in consumers' evaluation of different types of organic product. Third, this study complements the literature of construal level theory by examining the impact of construal level on consumers' evaluation of different types of organic food (fresh vs. processed). In addition, this research also provides practical implications in how companies can strategically use ad messages (e.g., concrete vs. abstract) to promote organic foods. Our findings provide encouraging results for marketers to increase ad persuasiveness via integrating the construal levels of messages with types of organic foods more effectively.

*References are available on request.*

# Brand Celebrification in a Nascent Market

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*Eileen Fischer, York University*

**Keywords:** *change, markets, brands, celebrity, deviance, strategy, emergence*

## EXTENDED ABSTRACT

Brands are of immense economic and cultural importance (e.g. Mizik 2014; Schroeder 2013). Many useful, generic analyses of the nature of brands have gained widespread recognition (e.g. Keller 1993, Aaker 1996). In most cases, these analyses have focused on established brands that have gained significant shares in well-defined markets. Less attention has been paid to processes that may occur very early in a brand's development. Our objective is to shed light on one such process, which we refer to as "celebrification." We define this process as one through which an emergent brand rapidly gains widespread attention in a nascent market or market niche. The process is one in which both the brand and its category gain visibility at an accelerated pace.

We focus on the factors that propel an emergent brand in a nascent market or niche to swiftly gain significant attention from other market actors, such as investors, consumers, and the media. We do so because, although there is an extensive literature on types of brands, we know less about earlier stages in brand development, particularly the factors leading an emergent brand in a new market to become the focus of attention from a number of market actors. Nor do we know the challenges that may be faced by brands that undergo celebrification. For these reasons, we study the case of Tesla, an electric car (EC) brand that shipped its first product in 2008 and that has been a focal point in the emergence of the electric car market. According to our research, Tesla has generated more attention than most brands in the broader car industry, as well as in the EC market specifically, which makes it an ideal brand to address our focal research question: What factors propel the celebrification of a brand?

Two bodies of theory inform our work. The first is institutional theory, and more specifically the role of legitimacy in providing brands with a competitive advantage (e.g., Giesler 2012; Ertimur and Coskuner-Balli 2015); the second is the conceptualization of celebrity from media sociology theo-

reticians (Gamson 1994, Marshall 1997, Rojek 2001). According to work in institutional theory, firms and brands benefit from being legitimate (e.g. Ertimur and Coskuner-Balli 2015). Accordingly, the current approach to branding through legitimacy emphasizes ways that brands can foster legitimacy. Yet, current research that has looked at claims for legitimacy in a nascent market (Giesler 2012; Ertimur and Coskuner-Balli 2015) have not addressed what happened when a brand does not obey established frames of action. Since the celebrification of brands is partly based on the positive reception of deviance, i.e. where brands act in contradiction to accepted practices (Rindova et al. 2006), we inquire about such a case.

Given the discovery-oriented nature of this research project as well as our research objectives, we adopt an inductive, qualitative case study methodology (Yin 2009) centered on a specific brand. Our findings are based on a systematic analysis of an extensive set of archival data comprised of publications covering the technology (Wired), green technologies (Clean Technica), automotive (Motor Trend and Car and Driver), business (Wall Street Journal) and the general press (New York Times, Los Angeles Times). We also collected data from automotive blogs (Jalopnik) and the reactions from consumers on such outlets. Finally, we collected consumer-driven data in the financial community (Seeking Alpha) and brand-focused communities (Tesla Motors Forums). Our archival data was collected both around the emergence of the electric car category (from 2000 to 2016), as well as around the evolution of the Tesla brand (from 2005 to 2016). This dataset totals 1484 pages.

Our analysis shows that Tesla performed three main branding strategies: (a) resisting categorization, (b) defying normative expectations, and (c) over-promising. This contravenes existing theories on legitimization of organizations that tries to respond to the three pillars of legiti-

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macy (Scott 1995). We suggest that this deviance performed by the brand, combined with the overall positive response from stakeholders, fosters the brand's celebrification and the cultivation of interest toward the emergent category.

From a managerial standpoint, our research suggests that brands do not always have to conform to norms in broader

markets to achieve commercial success in a nascent market (e.g. Giesler 2012, Ertimur and Coskuner-Bali 2015). Rather, in a nascent market, particularly one that has yet to experience strong growth such as the EC market, brands may benefit from engaging in deviant activities as long as they can convince their stakeholders that such activities create value.

*References are available on request.*

# The Influence of Product Package Stories on Perceived Value

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*Richard Hanna, Babson College*

**Keywords:** *branding, brand storytelling, perceived value, willingness to pay*

**Description:** *This paper explores the influence of product package brand stories on consumer perceptions of product value.*

## EXTENDED ABSTRACT

### Research Question

Does the presence of narrative textual information on a product package increase the perceived value of the product offering?

### Method and Data

A basic randomized posttest only between-subjects design compared treatment (story) and control (no story) conditions. A Qualtrics survey using previously published scale items was distributed randomly via Amazon MTurk, leading to 193 usable responses.

### Summary of Findings

The presence of a story on a product package raised the perceived value of the product. Results were significant for two

measures of perceived value, willingness to pay and expected retail price.

### Key Contributions

Substantial research demonstrates that product packages influence the perception of value of goods, but focuses on non-narrative elements of the product package (shape, color, size, and graphics). This research adds to this conversation but suggesting that narrative elements and stories also influence the perceived value of goods.

*References are available on request.*

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# Greening the Consumption Process Through Values, Beliefs, and Norms: A Moral Focus Perspective

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*Avinandan Mukherjee, Clayton State University*

**Keywords:** *sustainable consumption, proenvironmental consumer behavior, value-belief-norm theory, green consumption process, environmentally friendly behavior*

**Description:** *This study examines the value based predicting factors of proenvironmental behaviors of individuals by examining three stages of consumer behavior based on the consumer decision making process and tries to understand whether these predictors differ depending on the stage of the behavior that is being performed.*

## EXTENDED ABSTRACT

### Research Question

Growing environmental degradation has become an increasingly vexing moral, social and fiscal issue of concern all around the world. Solutions that purport to address these widespread ecological problems are deemed to be multifarious, while demanding significant attitude and behavioral changes from individuals and more responsible human actions. This study adopts a moral focus perspective by examining the value-belief-norm based predictive factors of individual proenvironmental (PE) behaviors for three stages of the consumer decision making process (i.e., purchase, usage, and post-use). The purpose of the study is to analyze whether these predictors explain proenvironmental behaviors and differ depending on the stage of consumer behavior that is being performed. The main research question is: "What are the mechanisms between various factors, such as environmental values, concerns, personal norms, and intentions towards related behaviors that affect proenvironmental actions?" This paper focuses primarily on this key question by looking at different stages of consumer behaviors and, by doing so, tries to uncover insights to help organizations and social marketing professionals to develop and adopt appropriate marketing strategies.

### Method and Data

A structured questionnaire based survey was used to collect data and verify the research framework guiding the hypothe-

ses (ten in total) for all three stages of consumer behavior. In the questionnaire, all items were taken from well-established standardized scales from the literature, all with acceptable reliabilities. The following constructs were included in the study: altruistic values, biospheric values, egoistic values, environmental concern, awareness of consequences, ascription of responsibility, personal norm, behavioral intention, PE purchase behavior, PE usage behavior, and PE post-use behavior. The hypotheses and model were formulated and tested with three separate Structural Equation Models (SEM) using the data from 752 individuals (281 for purchase, 265 for usage, and 206 for post-use behavior). A two-stage SEM analysis was adopted. The first stage involved estimating the measurement model (confirmatory factor analysis) and the second stage involved estimating the structural model (structural equation modeling) to analyze the strength of the relationships between each of the constructs in the proposed model.

### Summary of Findings

The structural model achieved a good level of fit for all three models. The results of the study indicate that while the extended version of value-belief-norm (VBN) theory could explain all three stages of consumer behaviors, it provides a superior explanation of the PE purchase behaviors of consumers, compared to usage and post-use. The findings suggest that consumers with high biospheric values, environmental

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concern, personal norms, behavioral intention, awareness of consequences, ascription of responsibility, and low egoistic values purchase more eco-friendly products. Although similar results are found for usage and recycling behaviors, the model fits are not as strong and explanatory powers are lower. Amongst the three types of value orientations, biospheric values seem to be the strongest predictor of ecological worldview of individuals for all of the three types of PE behaviors. Although the results of this study suggest the link between low egoistic values and higher environmental worldview, the predictive power of this type of value orientation seems to be much lower than that of biospheric values. This research also shows that the VBN theory offers the least explanatory power for the post-use (recycling) behavior model.

## **Key Contributions**

This study is the first to adopt an extended version of VBN theoretical perspective to understanding three different stages of PE behaviors of consumers with a comparative approach. The results of the empirical study show that the extended VBN theory could explain all three stages of behavior well, even though the explanatory power of the purchase model was the highest, compared to usage and post-use. This research reveals that marketing managers need to adopt differential marketing strategies to influence consumer PE decision making behavior in the three consumption stages of purchase, usage, and post-use.

*References are available on request.*

# Part B

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# Is Cash Always King? Bundling Product–Cause Fit and Product Type in Cause-Related Marketing

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**Keywords:** *cause-related marketing, corporate giving style, product–cause fit, product type*

## EXTENDED ABSTRACT

Partnering a product and a cause for promotional purposes is referred to as cause-related marketing (CRM) (Varadarajan and Menon, 1988). In traditional cause-related marketing (CRM) campaigns, companies support a cause by donating a portion of the proceeds from product sales. Recently, some companies have used the funds to buy something for the beneficiaries. Although monetary giving to a cause is perceived as a straightforward message to consumers (Dean, 2003; Meenaghan, 1998), more and more companies are choosing to give nonmonetary gifts as their donation (e.g., HUGO Boss's "One Fragrance, One Tree" campaign). Non-monetary giving is distinct from commercial efforts. In CRM, a sponsoring company is considered a gift giver, since the donation to the cause can be considered a "gift." Based on attribution theory (Bettman, 1979; Folkes, 1984), people take such a donation into account when inferring the company's motives (Ellen, Mohr, and Webb, 2000; Webb and Mohr, 1998). We compare these two giving styles along with two moderators: product–cause fit and product type.

Specifically, we propose that the choice between a nonmonetary or monetary giving style should be contingent on the product–cause fit. This variable is relevant since the magnitude of the fit (i.e., higher vs. lower fit) could determine consumer perceptions of the company's inferred motives (Barone, Norman, and Miyazaki, 2007; Nan and Heo, 2007). Since corporate giving style and perceived fit are two important pieces of information consumers use when considering

the purchase of a product with a cause, we expect the perceived product–cause fit to moderate the relationship between corporate giving style and CRM effectiveness. This research also examines product type as another possible moderator. Products can be categorized as either utilitarian or hedonic, and product type has been recognized as an influential factor in CRM (Strahilevitz, 1999; Strahilevitz and Myers, 1998). However, previous studies were silent regarding how product type might influence the giving style decision.

In Study 1, product–cause fit was investigated as a moderator. We conducted an experiment with a 2 (corporate giving style: monetary vs. nonmonetary giving)  $\times$  2 (product–cause fit: high vs. low) between-subjects design. Participants were presented with a single ad for a product: an MPEG Audio Layer-III (MP3) player. Each of our ads indicated that the company would donate 5% of the product's sales price to a cause. Product–cause fit and corporate giving style varied from ad to ad. Helping the hearing-impaired was considered as a high fit with the product since the functions of an MP3 player are consistent with the needs of the beneficiary. Helping mobility-impaired elders was chosen to represent a low fit with the MP3 player. We framed monetary giving as a direct donation of a percentage of the sales revenue from the CRM to the cause. The information regarding the nonmonetary gift differed in the high and low product–cause fit conditions. For the high-fit condition, the sales revenue would be used to purchase hearing aids to assist the hearing-

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impaired. For the low-fit condition, sales revenue would be used to purchase rehabilitation equipment to support mobility-impaired elders. The results suggest that, in a CRM ad, product–cause fit moderates the relationship between corporate giving style and the two outcome variables (i.e., attitude toward the campaign and purchase intention). Nonmonetary giving is more persuasive when promoting a product with a high-fit cause. Conversely, monetary giving more effectively promotes a product with low-fit cause.

In Study 2, both product–cause fit and product type were considered as moderators. In Study 2a, we conducted an experiment with a 2 (product–cause fit: high vs. low)  $\times$  2 (corporate giving style: monetary vs. nonmonetary)  $\times$  2 (product type: utilitarian vs. hedonic) within-subjects design. We conducted a pretest to develop the manipulation of product type and to choose causes which reflected a high or low fit. Based on the pretest results, we chose six products with high-fit and low-fit causes in parentheses: sport shoes (junior sports development/endangered species conservation), facial cleansing foam (forest conservation/child hunger), T-shirt (poor kids in Africa/health education), chocolate (forest conservation/endangered species conservation), a bottled beverage (water for Africa/disabled group), and a portable wireless speaker (music education enhancement/health care of the elderly poor). Thus, twelve choice tasks were developed for each participant. In each task, the participant had to choose either monetary giving or nonmonetary giving with a constant donation magnitude (1% of the sales price). Fictitious brand names with prices were provided. The results showed that when the product–cause fit was low for a utilitarian product, consumers preferred nonmonetary giving over monetary giving. Conversely, when the product–cause fit was low for a hedonic product, consumers preferred monetary giving over nonmonetary giving.

In Study 2b, we conducted an experiment with a 2 (corporate giving style: monetary vs. nonmonetary giving)  $\times$  2 (product–cause fit: high vs. low)  $\times$  2 (product type: utilitarian vs. hedonic) between-subjects design. Inferred motives were proposed as a mediator. In this study, a single product shampoo was selected as the product which we framed as either utilitarian or hedonic. Based on the pretest, we framed a clean water program as either clean drinking water for children (low fit) or clean water for daily needs (high fit) to manipulate the product–cause fit. We framed monetary giving by noting that 5% of the sales price of each bottle of shampoo would be donated to a program providing clean drinking water for children/clean water for daily needs. For the high-fit condition, 5% of the sales revenue would be used to purchase water purifiers for communities. For the low-fit condition, 5% of the sales revenue would be used to purchase water dispensers for schools. The results echoed Study 2a. The inferred motives was tested and confirmed as the underlying mechanism.

This article makes theoretical contributions to the extant CRM literature by comparing monetary giving with nonmonetary giving. Although nonmonetary giving has become more and more popular, relatively few studies compare the two giving styles. We also integrate research streams related to gift giving, information processing, judgment and decision making, and the consumption experience, while exploring how and why two corporate giving styles work differently. From a practical perspective, our results not only shed light on how a CRM campaign is evaluated by consumers, but also suggest a number of ways that companies interested in using CRM may best communicate to enhance its effects. “Is cash always king?” The answer could be “no.” It depends on creating the right bundle of product–cause fit and product type.

*References are available on request.*

# Can Government-Sponsored Museum Exhibitions Influence Art Market? An Empirical Investigation in Art Auction Market

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## ABSTRACT

Whether government-sponsored museums can influence art market is an empirical question. This paper investigates the relationship between government-sponsored museum exhibitions and auction price of the artworks. We focus on the artists who exhibited on the Taipei Fine Art Museum (TFAM) and investigate whether the exhibitions at TFAM influence the hammer prices of their artwork in the following auctions. We link the TFAM exhibition data from 2000 to 2015 to the global auction data at [www.artprice.com](http://www.artprice.com) dated from 2000 to 2016. The Hedonic model and Tobit model are employed to test the relationship between hammer price and exhibitions.

The results imply that museum exhibitions do not have direct influences on art auction price. However, we find evidence of an indirect “certification” effect of TFAM exhibitions. Exhibitions do not have significance on the hammer price, but the interaction terms between exhibition and other pricing factors are significant. Once an artist has been “certified” by museum exhibitions, his/her artwork will be evaluated by the common industry practice such as the pricing factors. These results also support the claim that government-sponsored museum exhibitions are leading indicators to auction market performance.

**Keywords:** *art auctions, museum exhibition, art price, hammer price, credence good certification*

## Introduction and Theory Base

This paper investigates the relationship between government-sponsored museum exhibitions and art auction market. This paper is the very first empirical research on the influence of museums on art market. It may contribute the literature of nonprofit marketing. Moreover, it may provide an example of the third-party certification institutions influencing the market of credence goods.

Government intervention is common in the cultural sectors. As a form of subsidy, government-sponsored museums can promote a certain type of art by selecting or screening artists into their exhibitions. However, whether the exhibitions in government-sponsored museums have influence in art market is an empirical question waiting to be investigated.

There are several theories to explain the role of museums in the art market. Museums can be viewed as third-party certification institutions, which provide professional judgments on art. Art is an example of credence goods and consumers are uncertain about product quality before and even after consumptions. Moreover, there could be serious information asymmetry problems between buyers and sellers. To relieve the problems of uncertainty and information asymmetry, buyers may seek certifications from museums. Artists who are selected into the museum exhibitions can be viewed as “certified,” hence their art piece have greater chance to sell out at a higher hammer price.

Another theory emphasizes the “stickiness” of art taste. Art is also an example of “rational-addicted” goods. The law of

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diminishing marginal utility may not apply to additional goods; when consumers consume more additional goods, they enjoy the goods more and their marginal utility increases. We need time and product experience to cultivate a “taste” of art. Once a taste is built, consumers may stick to the taste and enjoy a certain type of art. As reliable third-party institutions, museums may lead consumers to get “addicted” to a certain type of art by promoting particular artists in their regular exhibitions. In this sense, we are supposed to observe a positive relationship between exhibitions frequencies and art auction price for some given art type.

However, an alternative hypothesis suggests that art auction market participants are professionals, or at least enthusiastic amateurs. Most of the art consumers have invested in knowledge and cultural capital; they have acquired certain taste. In this sense, these consumers may not need “certification” from museums and the market is more likely to be the leader to the public sectors. Whether the market or the government takes the lead in art market is an interesting empirical question.

## Data and Methodology

To investigate how government-sponsored museum exhibitions influence art auction market, we test whether the artists who have exhibited in Taipei Fine Art Museum are more likely to have their artwork sold out at a higher hammer price.

Taipei Fine Art Museum was the first museum in Taiwan built for contemporary art exhibitions. It is fully sponsored by both central and local government, though it also receives private donations in some specific projects. It curates exhibitions not for local artists but also for international artists. Taipei Biennial held at TFAM has become an important event in Asia art scene. It is one of the important contemporary art museums in Asia.

We focus on all the Taiwanese and Chinese artists who once exhibited at TFAM from 2000 to 2015. We then trace the performance of their art pieces in the global auction market. The chronological order of exhibition and auction is carefully identified; only the exhibitions *before* an artist firstly came to the auction market is counted.

We acquire their global auction data comes from [www.art-price.com](http://www.art-price.com) dated from 2000 to 2016. The data set has 22,123 auction observations in total, while 8,585 observations belong to the artists who have exhibited in Taipei Fine Art Museum from 2000 to 2015. The control variables include auction house location, size of the auction house, lot, reserve price, lot, year of creation, the medium and size of the art piece, the artist-specific characteristic variables and so on. Serving as a price index ( $p_t$ ), the time dummies are also included to control for the year of auction. The descriptive statistics is listed in Table 1.

**Table 1.** The Descriptive Statistics of the Data Set

Variable	n	Mean	SD	Min	Max
Born Year	22,123	1,927.037	15.93594	1,871	1,983
Lot	22,123	620.2224	1,656.105	1	72,149
Creation Year	22,123	1,980.392	848.5757	1,899	2,015
Area	22,123	5,325.738	7,810.474	48	280,000
Volume	22,123	24,116.95	337,673.8	171.5	27,400,000
The Lower Bound of the Estimated Price	22,123	55,445.34	217,496.3	3	8,772,000
The Upper Bound of the Estimated Price	22,123	77,856.13	305,494.1	3	11,600,000
Auction Year	22,123	2,009.173	5.875096	1,986	2,016
Hammer Price	22,123	69,763.33	333,361.4	4	12,400,000

We use both Hedonic model and Tobit model to investigate the relationship between hammer price and the independent variables. However, for those unclosed auctions, the hammer prices of the items are missing. The Hedonic regression drops all the observations of unclosed auctions, while the Tobit model treats the unclosed auctions as censored data. The results of both models will present in the following sections.

The Hedonic model is as follows:

$$p_{it} = \beta x_i + p_t + \varepsilon + \varepsilon_{it}$$

where  $p$  is the fixed component of the price that reflects the “artwork quality” and  $p$  reflects the index of aggregate movements in prices. It captures both the unobservable time effects and the artwork-specific effects on price.

The Truncated Tobit model is as follows:

$$f(y_i / x_i) = \frac{1}{\sigma} \frac{\phi(c)}{1 - \Phi(c)}$$

where  $y_i$  cannot be observed when  $y_i < a$  and  $c = \frac{x'_i \beta - y_i}{\sigma}$

he first moment condition shows that  $E[y_i | y_i > a] = \mu^* + \sigma \lambda(\alpha)$ . It captures the auction market fact that  $y_i$ , the hammer price, is missing for many observations.

## Results and Implications

Both the results of Hedonic model and Tobit model show that variables of TFAM exhibitions are not significant to auction price. Table 2 presents the results of the two models. “How many times the artist has been selected to exhibition” is not significant either. The size and the area of art piece,

**Table 2.** The Results

Dependent Variable	Hedonic Model		Tobit Model	
	Coefficients	SD	Coefficients	SD
Lot	−0.8	(0.7)	−1.6	(0.78)**
Creation Year	−246.73	(120.52)**	−187.67	(126.51)
Oil Painting	44,489.38	(10,367.49)***	32,844.04	(9,762.34)***
Wash Painting	39,908.39	(10,177.47)***	24,504.97	(9,726.72)**
Print	34,661.2	(1,1140.48)***	16,923.3	(10,789.35)
Statue	28,401.79	(17,315.65)	22,836.52	(12,780.73)*
Area	0.18	(0.34)	0.65	(0.35)*
Volume	0.01	(0.01)		
The Lower Bond of Estimation	−0.41	(0.56)	−0.05	(0.02)**
The Upper Bond of Estimation	0.61	(0.41)	0.49	(0.02)***
Auction House	2,553.59	(5,643.97)	3,817.02	(6,254.79)
Auction Place(Taiwan)	1,573.83	(4,240.96)	20,314.38	(4,537.84)***
Auction Place (China)	6,291.97	(4,723.46)	15,286.85	(5,059.69)***
Exhibition Times	−184.74	(3,074.72)	−1,519.57	(3,270.93)
Whether the Artist had exhibitions at TMAM	2,060.7	(6,512.19)	−1,046.45	(6,813.74)
The Interaction Term Between Area and Whether the Artist Exhibited	1.28	(0.4)***	1.43	(0.41)***
The Interaction Term Between Area and Whether the Artist Exhibited	14,198.13	(6,996.27)**	19,794.35	(7,696.25)***

which are usually considered to be basic pricing factors, are not significant either.

However, the significant interaction term indicates that TFAM exhibition may have indirect influence on the hammer price. The interaction term between the artwork size/area and “whether the artists exhibited” is positively significant to hammer price in both the models. The size and the area of the art piece are usually considered to be important basic factors to art pricing in common industry practice. Here is an interesting implication of this result: only after an artist is “certified,” his artwork will be evaluated under the “industry common practice.” In contrast, if the artist has not been “certified” by museum exhibition, there is no “market consensus” on his artworks.” To conclude, museum exhibition can be viewed as a certification agency, but its influence is limited.

The frequency and the times of an artist being selected to the exhibitions are also important variables. In Table 2, “How many times the artist has been selected to exhibition” is insignificant in all models. The interaction term between “How many times the artist has been selected to exhibition”

and the other pricing factors are also insignificant. No matter an artist is “certified” or not, the exhibition frequencies and times are insignificant to the hammer prices of his/her artworks. This result does not support the hypothesis of rational addiction.

To conclude, we find evidence of an indirect “certification” effect of exhibitions in a government-sponsored museum. This research is one of the pioneer research that provides empirical evidence on the influence of museums on the art auction market. These results support the claim that government-sponsored museum exhibitions may serve as a certification institution and has influence in art market. The result also indicates that that government-sponsored museum exhibition can be a leading indicator to auction market performance, yet the cause and causation relationship needs to be investigated further. The missing data problem still needs to be solved. Those missing data belong to unclosed transactions. The characteristics of the unclosed auctions need to be investigated further.

*References are available on request.*



# “Rising by Sin”: Consumer Evaluation of Social Cause–Brand Alliances in Stigmatized and Nonstigmatized Industries

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**Keywords:** *cause-related marketing, cause–brand alliance, stigmatized and nonstigmatized products, scenario-based experiment, PLS-SEM*

**Description:** *This study investigates the antecedents of consumer evaluation of alliances between social causes and brands from stigmatized versus nonstigmatized industry.*

## EXTENDED ABSTRACT

### Research Questions

Companies are increasingly utilising cause-brand alliance (CBA) by linking their brands with social causes to achieve corporate and social objectives. The usual practice is to partner causes with brands from noncontroversial industries. The literature, however, is silent about the impact on consumer evaluations when the so-called “sin industries” (e.g., tobacco) that carry stigma with their products support social causes. Further, the majority of literature on CBA focuses on the importance of brand attitude and alliance fit. Little is known about how personal attributes or consumer perceptions such as inferred motive and ethical self-identity affect the alliance across stigmatized and nonstigmatized product categories. Grounded in information integration, attitude accessibility and balance theories from social psychology, this study adds a novel perspective to existing literature on predictors of the consumers’ evaluation of CBA across different types of market categories. The study attempts to answer the following research questions:

1. What are the differences in consumer evaluation of CBA with stigmatized and nonstigmatized products?
2. What is the impact of inferred motive on the effect of attitudes on CBA across stigmatized and nonstigmatized products?

3. How does consumers’ ethical self-identity influence their evaluation of CBA for stigmatized and nonstigmatized products?

### Method and Data

This study adopts a scenario-based quasi-experiment consisting of hypothetical CBAs between real brands and social causes. Following a pretest ( $n = 15$ ), three social causes from three most prevalent cause categories, humanitarian (Médecins Sans Frontières), health (The Pink Ribbon Foundation) and environmental (World Wildlife Foundation), were selected based on respondents’ rating for importance. Another pretest ( $n = 15$ ) led to the selection of six real well-known brands, three each, for stigmatized and nonstigmatized products. These stigmatized brands included product sectors such as tobacco, alcohol and fast-food, for which Marlboro, McDonald’s and Smirnoff were chosen. Nonstigmatized brands included FMCG brands Coca Cola, L’Oréal and Kellogg’s. Overall, 18 sets of hypothetical CBAs ( $3 \text{ brands} \times 3 \text{ social causes} \times 2 \text{ stigmatized vs nonstigmatized}$ ) were developed. The data were collected via structured questionnaires from a convenience-based sample in the UK ( $n = 598$ ). Whilst completing the questions, participants were presented the scenarios with a brief description of a brand and a cause, and their alliance. Thereafter, the par-

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ticipants were asked to answer questions related to research constructs, namely brand attitude, cause attitude, perceived similarity, perceived relevancy and expectancy, inferred motive, ethical self-identity and alliance evaluation. Data were analysed employing the Partial Least Squares approach to Structural Equation Modeling (PLS-SEM).

### **Summary of Findings**

The results show differences in consumers' evaluation of cause-brand alliance for stigmatized and nonstigmatized products. Cause attitude was found to have significant impact on CBA evaluation with nonstigmatized products, but no impact with stigmatized products. The moderating effect of inferred motive demonstrated to have an influence on the relationship between brand attitude and CBA evaluation when the product was nonstigmatized. The results also show the moderating effect of ethical self-identity. Among consumers with low ethical self-identity, inferred motive was found to have significant moderating effect on the relationship between brand attitude and alliance evaluation. Cause attitude positively influences alliance evaluation, however, only in the low ethical self-identity group.

### **Key Contributions**

This research makes several theoretical contributions to knowledge on brand alliances and cause-related market-

ing. *First*, in line with information integration theory, this study provides additional empirical evidence that positive perceptions towards the brand and the cause prior to exposure to the CBA, led to favourable alliance perceptions. *Second*, this study offers further knowledge for already established precursors to CBA evaluation (i.e. brand and cause attitude) as well as adding to the discussion of antecedents of CBA by investigating the influence of similarity and congruence between the cause and brand on alliance evaluation. This study confirms that perceived similarity is an antecedent of congruence and therefore, enhances understanding of the relationships between important contributing factors in CBA evaluations. *Third*, the study provides empirical evidence for the interaction between brand attitude and inferred motive of companies, a critical link in understanding the relationship between attitude and evaluation. *Fourth*, this study shows that ethical self-identity plays a vital moderating role in understanding the CBA. *Fifth*, this study is the first to provide empirical evidence on how consumers respond to CBA with stigmatized and nonstigmatized products. The results demonstrate that cause attitude has a significant and positive influence on alliance evaluation with nonstigmatized brands.

*References are available on request.*

# The Role of Message Specificity in Cause Portfolio Communication

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*Meike Eilert, University of Nebraska–Lincoln*

**Keywords:** *corporate social performance, social responsibility, charitable giving, cause portfolios*

## EXTENDED ABSTRACT

### Research Question

The research question that we examine in this paper is: Which cause portfolio communication strategies are more effective in improving consumers' attitude towards the brand? We investigate the effectiveness of different communication strategies varying in the degree of message specificity, general or specific, of the supported cause. In line with prior research on different levels of message specificity (Macklin, Bruvold, and Shea 1985; Ogilvy 1983), we posit that consumers respond more favorably to more specific information about a firm's cause portfolio as this presents less ambiguous and more credible information about the donation behavior. Consequently, consumers are more likely to perceive the company to care about and be committed to the cause. Hence, consumers are more likely to make intrinsic motive attributions for supporting the cause/causes in the portfolio. That is, we propose that message specificity results in higher attitudes towards the brand, which is driven by these motive attributions.

### Method and Data

We employed two experimental studies in order to test our hypotheses. Study 1 ( $n = 73$ , recruited from Amazon's Mechanical Turk) utilized a between-subjects design and respondents were randomly assigned to a specific or general cause portfolio communication condition. Study 2 ( $n = 141$ , recruited from Amazon's Mechanical Turk) employed a 2 (portfolio: diverse vs. focused)  $\times$  2 (communication: general vs. specific) between-subjects design and respondents were

randomly assigned to one of the four conditions. In both studies we measured perceptions of the product and the company, including perceived motives.

### Summary of Findings

Across both studies, we find that consumers respond more favorably to specific cause portfolio communication strategies than general ones. Cause portfolio diversification acts as a boundary condition such that for diverse cause portfolios, there is no difference between the different types of communication strategies. In both studies, we find support that perceived motives mediate the relationship between cause portfolio communication strategies and consumer attitudes towards the brand.

### Key Contributions

Our findings provide guidance to marketing managers regarding the communication of CSR activities. They suggest that firms should be mindful when communicating their CSR activities. While a specific communication strategy is preferable to a general one when the firm donates to a single cause, no such difference exists for a diverse cause portfolio. Our findings show that companies are better off specifying the individual nonprofits that the company donates to, even if they have the same overarching cause. Our findings contribute to the literature on message specificity, charitable giving, and perceived motives.

*References are available on request.*

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# Servitization and Organizational Performance: Is Organizational Learning Ambidexterity a Missing Link?

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**Keywords:** *service orientation, servitization, ambidexterity learning, absorptive capacity, firm performance*

**Description:** *This research contributes to the literature by articulating both organizational learning ambidexterity's mediating role and absorptive capacity's moderating role, on the relationship between service orientation and firm performance.*

## EXTENDED ABSTRACT

### Research Question

In order to secure their competitiveness, more and more manufacturing firms adopt the servitization approach. However, the existing literature on its impact reveals mixed results. For example, while Neely (2008) finds that manufacturing firms with higher service provision generate lower revenues, Kastalli and van Looy (2013) find that service sales enhance revenue. Moreover, other scholars identify a nonlinear relationship between servitization and firm value (Fang, Palmatier, and Steenkamp 2008), profits (Suarez, Cusumano, and Kahl 2013), and sales growth (Kohtamäki et al. 2013). These mixed findings suggest that research in this field should shift focus from asking “whether or not” to investigating “why and/or how” and “when and/or for whom” manufacturing firms implement servitization in order to achieve a sustained competitive advantage.

### Method and Data

We collected data by surveying manufacturing firms in China's Yangtze River Delta region. The measurements were adopted from past studies and measured by the five-point Likert scale. We also tested nonresponse bias by comparing responding and nonresponding firms regarding such major attributes as firm size (number of employees), firm

age, and ownership status. We used the ordinary least squares regression to test the hypotheses. Regarding the mediation effect, we follow Baron and Kenny's (1986) procedure, which has been employed by Lado, Dant, and Tekleab (2008) to test the mediating effect of relationalism on a U-shaped curvilinear relationship.

### Summary of Findings

This research uses data from Chinese manufacturing firms to empirically demonstrate that manufacturing firms' service orientation has a U-shaped relationship with organizational learning ambidexterity. Moreover, the results show that organizational learning ambidexterity mediates the relationship between service orientation and firm performance, suggesting that organizational learning ambidexterity serves as an underlying mechanism. Furthermore, the findings show that absorptive capacity positively moderates the effect of service orientation on firm performance.

### Key Contributions

This research contributes to the literature in three ways. First, our results reveal that organizational learning ambidexterity mediates the relationship between service orientation and firm performance, which is less known in the existing literature. Second, this research contributes to the

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literature pertinent to organizational ambidexterity by studying service orientation as an antecedent of organizational learning ambidexterity. Third, by investigating the moderation effect of absorptive capacity, this study enriches the two

research streams: industrial services and organizational learning ambidexterity.

*References are available on request.*

# Big Data Resources, Marketing Capabilities, and Firm Performance

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**Keywords:** *IT resources, marketing capabilities, performance, resource-based theory, PLS*

**Description:** *This paper investigates whether investment into IT-based big data resources (BDR) enhance strategic marketing capabilities (MC) to achieve competitive advantage.*

## EXTENDED ABSTRACT

### Research Question

“Big data” refers to techniques, technologies, systems, practices, methodologies, and applications related to the acquisition, storage, integration, analysis, and deployment of massive amounts of diverse data to support business decision making. Industry reports posit that big data may significantly improve the efficiency and effectiveness of the firm’s marketing capabilities, and the marketing function has been identified as the top driver of big data initiatives in firms.

However, firms must overcome technological, skill-based and organisational challenges to become data-driven. Firms are unsure how to make use of big data, are cautious to invest into new information technologies, or simply find big data analytics too complicated. Academic research has not empirically investigated how strategic big data resources (BDR), and to what extent, influence strategic marketing capabilities (MC) and, by extension, firm performance. The objective of this research is to remedy this crucial knowledge gap.

### Method and Data

A resource-based (RBV) model is advanced of how big data resources (BDR) act to enhance marketing-related capabilities (MC) and, ultimately, firm performance. To empirically test the model, we employed a survey study methodology and administered online questionnaires for data collection. Our sampling frame focuses on strategic business units (SBUs) in large (>1000 employees), U.S.-based, B2C manu-

facturing and service firms who have invested in big data technologies to support marketing decision making. We set forth these sampling criteria because large firms, particularly in B2C sectors, are far more likely to have implemented big data initiatives.

Using a commercial research panel provider, we targeted senior marketing executives in SBUs across a range of B2C industries. The survey was sent to senior marketing executives in 2497 SBUs, and after a rigorous screening process, 301 usable responses (12% response rate) were received in return. After clearing the data from biases, Partial Least Squares structural equation modeling (PLS-SEM) was used as the primary analysis method. In addition, the bootstrapping method was employed separately to test for indirect effects (mediation).

### Summary of Findings

In this paper, we posit that strategic big data resources (BDR) play a key role in improving strategic marketing capabilities (MC) to achieve competitive advantage. Empirical findings from a survey of 301 senior marketing executives, representing large U.S.-based firms in B2C industries, support the proposed model. The results highlight that BDR, encompassing technological, human and organizational IT resources, is a critical antecedent of MC. More specifically, BDR has a significant (.61,  $p < .01$ ) effect on marketing capabilities (MC), explaining 37% of its variance. MC, in turn, is a strong predictor (.72,  $p < .01$ ) firm performance.

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The findings from mediation testing also show that BDR is a source of competitive advantage only when leveraged by MC. Specifically, the indirect effect of BDR on firm performance (.42,  $p < .01$ ) is highly significant and fully mediated by MC.

### **Key Contributions**

The study makes two important theoretical contributions with managerial relevance. Firstly, this study makes a novel theoretical contribution with the parsimonious conceptualisation of big data resources (BDR). While all three dimensions (big data technology resources, big data analytics skills, organisational big data resources) are necessary and distinct facets of BDR, big data analytics skills are most important in enhancing marketing capabilities (MC). The results thus confirm concerns raised by scholars that lack of human talent may be the greatest impediment to big data success. Based on these findings, we advise managers to ensure that all aspects of the firm's overall big data asset are sufficient to achieve competitive advantage over their rivals.

Second, the results show that MC fully mediates the relationship between BDR and firm performance, indicating that BDR is a source of competitive advantage when leveraged in complementary marketing processes. This study thus lends support recent RBV-based marketing [IS] studies asserting that strategic [IT] resources only have value *potential*, and deriving business value from big data requires alignment with other complementary organisational capabilities. We therefore urge managers to ensure that big data resources are properly aligned with the firm's marketing processes because otherwise they will fail to realise the full benefits from big data investment. Hence, it is imperative that managers evaluate big data resources in the context of their application to support marketing capabilities. To do this, we recommend that managers regularly measure the effectiveness of big data projects on different marketing processes with the appropriate customer, market and financial performance metrics.

*References are available on request.*

# Development Processes for Business Model Innovations: Same, Same or Different?

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*Monika C. Schuhmacher, Justus Liebig University Giessen*

*Sabine Kuester, University of Mannheim*

**Keywords:** *business model innovation, business model innovation framework, process stages, qualitative research*

**Description:** *In-depth interviews reveal four specific business model innovation approaches: the replication, planned, rapid, and visionary approach which enhance our understanding of how managers can implement new business models.*

## EXTENDED ABSTRACT

### Research Question

Despite the increasing relevance of business model innovation (BMI) in management as well as in research, little is known about how managers can effectively approach BMI. The processes leading to these innovations are still not fully understood and accordingly BMI is still a major challenge for established companies. The aim of this study is to develop a framework, which explains how companies can develop BMIs. Researchers acknowledge that companies are likely to vary with respect to their processes and structures for BMI. However, only few studies delve into the process of BMI and existing findings are not sufficient to derive a conceptual toolkit for designing new business models. Some researchers conclude that BMI occurs in structured processes with specific stages (e.g., Bucherer et al. 2012; Frankenberger et al. 2013), while others propose BMI to be evolutionary (Cavalcante 2014). Research needs to explore whether there is an underlying categorization that explains the different BMI development process perspectives. The present study addresses these research gaps by exploring BMI projects in established companies by answering two research questions: (1) Is BMI the result of structured or evolutionary processes? (2) Do several BMI processes exist which explain the occurrence of different approaches for BMI?

### Method and Data

Since the literature does not reveal a full picture of developing BMI, this study applies an exploratory research design

with in-depth interviews to explore the two perspectives on BMI. We selected interview partners via the theoretical sampling procedure (Corbin and Strauss 1990) to purposively select interview partners that are most qualified to provide in-depth insights for the research subject. We recruited interviewees over a six-month period via personal contacts, company homepages or professional social networks. Altogether, we conducted 27 in-depth interviews with managers that were part of BMI projects within established companies. The in-depth interviews followed a semistructured interview guideline encouraging experts to share their company-specific experience with BMI. The verbatim transcripts were coded by means of the qualitative data software MAXQDA. Two researchers independently conducted the coding process (employing open, axial and selective coding) to derive a framework, which explains how companies can approach BMI (Corbin and Strauss 1990). Based on the Inter-coder Reliability Coefficient, we receive very satisfactory results of reliability for our findings.

### Summary of Findings

Based on our explorative insights, we identified four distinctive BMI approaches: the replication, the planned, the rapid, and the visionary approach. With regard to the first research question, we find that the replication and planned approach result from structured processes and that the rapid and visionary approaches are the result of evolutionary trial-and-error learning. For each approach, we further elaborate on

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the identified specific stages, which define the respective BMI process. The general BMI process consists of a prephase, a BMI design phase, and a postphase. Overall, the prephase is used for an initial market screening and opportunity identification by the management. Within the BMI design-phase, the BMI and thus the value proposition, the value architecture, and the profit formula are defined along a sub-process before finally launching the BMI in the market. Depending on the BMI approach, the BMI design-phase can consist of up to five stages. The postphase has a major focus on monitoring and learning to improve and enhance the BMI performance. With regard to the second research question, we further find that the organizational culture, in terms of a means-orientation or goal-orientation lead to different BMI approaches.

### **Key Contributions**

This is the first study which discovers that companies have four distinct BMI approaches at their disposal. Our framework provides a comprehensive conceptualization showing that BMI can result from structured or evolutionary pro-

cesses. For each approach, our framework defines specific stages that need to be passed through and shows that the approaches are heterogeneous with regard to the stages that they entail and emphasize. We also go well beyond extant research by linking the organizational culture to the resulting BMI development process. We find that an organizational culture can be goal-oriented or means-oriented. In a goal-oriented culture, systematic BMI processes are set up to achieve the goal of launching a BMI. In companies with a means-oriented culture, the focus is on using the available resources to develop BMIs with an evolutionary process. Thereby, our findings provide an explanation for studies taking different perspectives on the BMI development process. All in all, our research hones our understanding of how established companies can manage BMI. The cohesive conceptualization of BMI approaches, as provided in this research, represents a major refinement of the existing process-specific BMI literature and a valuable contribution to the innovation management literature.

*References are available on request.*

# The Marketing Concept and Dynamic Capabilities: A New Scale

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*Stan Slater, Colorado State University*

**Keywords:** *dynamic capabilities, marketing concept, reconfiguration, PLS SEM, scale development, survey research data*

## EXTENDED ABSTRACT

The study of change and dynamics in markets is fundamental to marketing. The rapid globalization and advances in technology require companies to learn to compete differently with dynamism. Consequently, market competitiveness going forward requires looking at business *models* and company-level *processes* in addition to functional-level *activities*. In order to do this consistently over the long-term firms must be able to sense and seize opportunities in the market and then reconfigure its resources, processes and business models to best respond to those opportunities and generate customer value. That is, firms must have dynamic capabilities (Teece and Pisano 1994). Consistent with Teece (2007), we define dynamic capabilities as *the higher-order, general abilities of sensing and seizing opportunities and threats, and the consequent reconfiguring resources, processes, and business models that lets the firm strategically create, extend, or modify the firm's resource base to match and even create environmental change in order to create or enhance customer value*. This resource base includes tangible and intangible resources that the firm owns or to which it has access, as well as its other higher order resources—labeled capabilities—which are defined as “complex bundles of intangible skills and knowledge... which enable the firm to act upon tangible resources (assets) such as capital, labor, land, and material” (Hansen, McDonald, and Mitchell 2013, p. 300).

Even though the concept of dynamic capabilities has been in the literature for two decades, there are no published scales to examine the presence of dynamic capabilities or how dynamic capabilities relate to other activities or performance. Some scholars have begun to investigate scales related to making particular activities dynamic, such as marketing activities, but no one has yet published scales

for dynamic capabilities. We chose to use the 28 theoretical statements from Teece (2007) to reflect the firm-level perspective that reflects the organization-wide nature of dynamic capabilities and to provide the detail necessary for professional managers to use as a guide in the development and maintenance of their own dynamic capabilities. The processes and routines described in the dynamic capabilities literature are in fact quite broad, at a strategic firm marketing concept level. As can be seen in Teece (2007) these capabilities can even include the acquisition or divestiture of entire business units. In contrast, the four-item scale of Drnevich and Kriauciunas (2011) does not provide the detail to guide managers in strategic decision making. Wilden and Guderan (2015) introduce a narrow set of sensing and reconfiguring dimensions of dynamic capabilities, but they do not speak to the changing business models and configurations that we are interested in here. Dynamic capabilities permit the firm to adapt particular marketing functions to new circumstances. The purpose of this research is to examine a potential scale of dynamic capabilities.

## Method and Results

The data used to examine the proposed scales came from 143 completed surveys by key informants (senior corporate managers and executives) of different U.S. companies in manufacturing, services, and retail industries. We measure the firm-wide sense-shaping, seizing, and reconfiguration dynamic capabilities via 28 scale items that are core statements in the seminal conceptual work of Teece (2007) that explicates what sense-shaping, seizing, and reconfiguring capabilities entail. The scale items are listed in Table 1. We assessed reliability of individual items in PLS through examining the item loadings on their latent constructs. All item loadings are greater than the .5 suggested. In addition, the composite reliability coefficients range from .75 to .97 look-

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ing across all constructs, exceeding the .70 recommended threshold. Convergent validity is also evident, exceeding the .50 benchmark. To test for discriminant validity, the calculated .69 HTMT comparison score is lower than the .85 maximum threshold indicating discriminant validity. We also find support for discriminant validity in that there was no evidence of strong cross loadings. See Table 1.

As shown in Figure 1, we compare multiple configurations to determine if the items are accounted for by a single “dynamic capabilities” factor versus a restricted two- or three-factor configuration that may or may not be correlated.

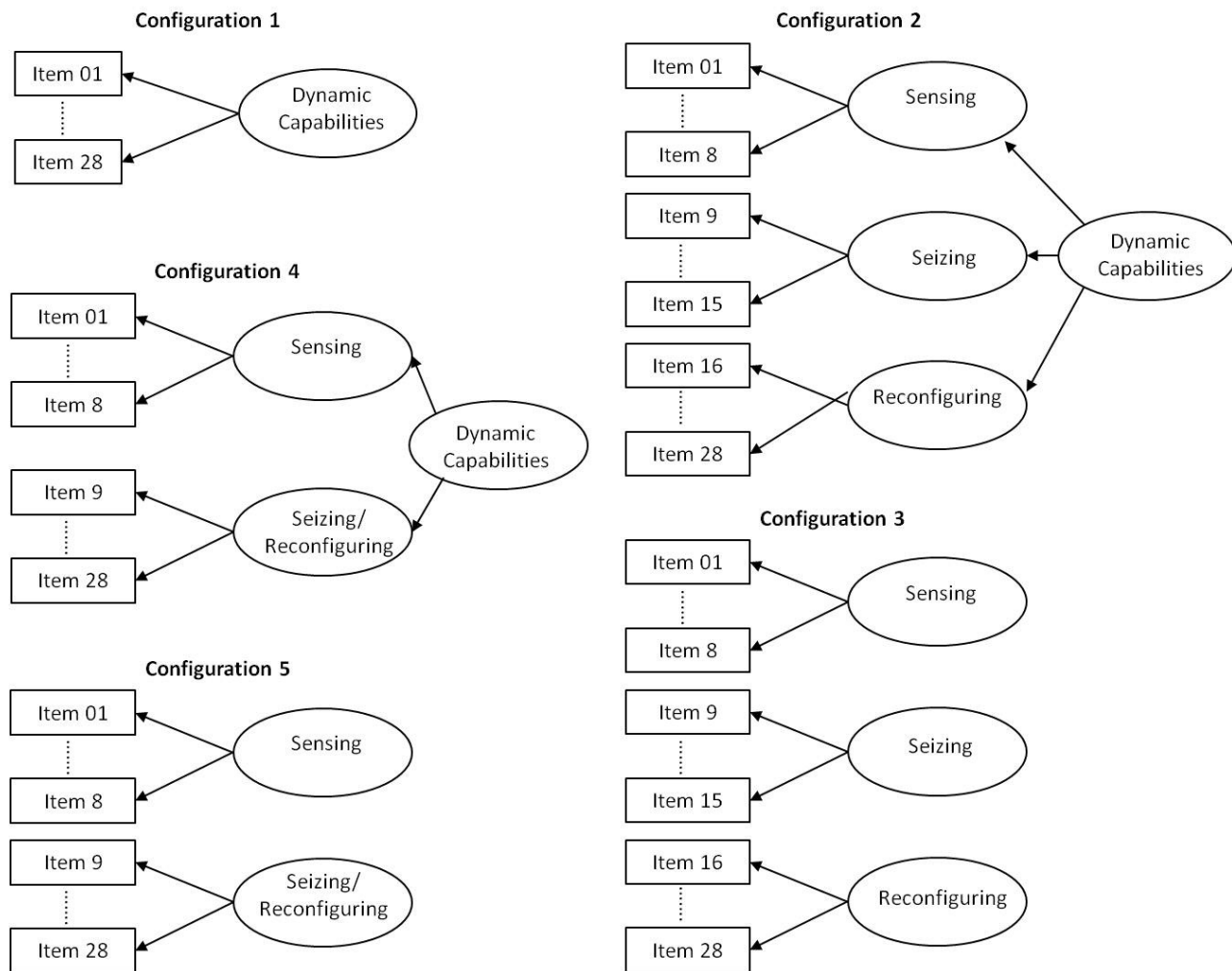
As shown in Table 2, the results of PLS SEM analysis indicates support that the items loaded best on the three dimensions of sense-shaping, seizing, and reconfiguring—i.e., Configuration 2 in Figure 1—as proposed/theorized by Teece (2007).

To summarize, the results in Tables 1 and 2 indicate that organization wide sensing, seizing, and reconfiguring capabilities appear to be correlated, separate elements (i.e., Configuration 2 in Table 1). While Teece (2007) theorized this viewpoint, other ideas have emerged since then. The single dynamic capabilities factor viewpoint, restricted two- or three-factor configurations that are not correlated, and the two factor correlated model are not as parsimonious as the

**Table 1.** Dynamic Capabilities

<b>Dynamic Capabilities</b> 28 statements originating from Teece (2007), lower order CR =.95 to .97, lower order AVE = .73 to .79, (seven point Likert, 1 = strongly disagree, 7 = strongly agree)			
	<b>Factor 1</b>	<b>Factor 2</b>	<b>Factor 3</b>
<i>Sense-Shaping. My firm has the capacity to...</i>			
1...Sense opportunities	.84		
2...Shape opportunities	.88		
3...Sense threats	.82		
4...Re-shape threats	.83		
5...Direct internal R&D and select new technologies	.84		
6...Tap developments in exogenous science and technology	.86		
7...Tap supplier and complementor innovation	.90		
8...Identify target market segments, changing customer needs, and customer information	.91		
<i>Seizing. My firm has the capacity to...</i>			
9...maintain and improve technological competences and complementary assets		.89	
10...invest heavily in the particular technologies and designs most likely to achieve marketplace		.89	
11...build new thinking within the firm		.83	
12...adapt to changing customer and technological opportunities		.87	
13...develop new products, processes, or services		.91	
14...discover and develop business opportunities		.87	
15...invest in development and commercialization of new ideas		.90	
<i>Reconfiguring. My firm has the capacity to...</i>			
16...recombine and reconfigure assets and organizational structures as the enterprise grows			.85
17...maintain competitiveness through enhancing the firms intangible and tangible assets			.90
18...invent new business models			.87
19...effectively combine internally generated and externally generated inventions			.89
20...upgrade “best practice” business processes			.87
21...shape its ecosystem			.86
22...copy, transfer, and recombine resources, especially knowledge-based ones, within the firm			.88
23...revamp routines			.86
24...redesign business models			.88
25...transfer nontradable assets to another organizational or geographic location			.82
26...share capability between old products/focus and the new products/focus			.88
27...geographically transfer capability from one market to another			.81
28...participate in mergers, acquisitions, and divestments			.72

**Figure 1.** Possible Dynamic Capabilities Factor Structures



**Table 2.** Summary Results

Version	Content	$\chi^2$	df	GFI	NCP	RNI/ CFI	TLI	NPAR	RMSEA	RMR
Config 1	One General DC Factor	2465.91	377	.625	2088.91	.824	.811	58	.131	.074
Config 2	Three Correlated DC Component Factors (i.e., one 2nd order factor)	1857.08	374	.702	1483.08	.875	.864	61	.111	.056
Config 3	Three Uncorrelated DC Component Factors	2904.829	377	.640	2527.83	.787	.771	58	.144	.871
Config 4	Two Correlated DC Component Factors	2057.19	376	.677	1681.19	.585	.847	59	.118	.061
Config 5	Two Uncorrelated DC Component Factors	2501.71	377	.656	2124.71	.821	.801	58	.132	.635



higher order correlated three factor model shown in Configuration 2 of Figure 1.

## Discussion

The dynamic capabilities scales used in this study provides a roadmap for senior managers to follow in their quest for assessing sources of competitive advantage. We acknowledge that there are many factors beyond the space available in the conference proceedings. For example, other scales or definitions of the constructs used in this research could be examined or compared. A few recent studies have proposed other views of dynamic capabilities sensing that are more in line with market orientation focusing on employees participating in associations and activities and less higher-order

construction about change management, such Wilden and Gudergan (2015) or Macher and Mowery (2009). Other conceptualizations have been, and likely will continue to be, proposed. Such a review demands more than any one article can provide. However, each approach could—given different operationalization based on the differences in the definitions—provide different insights in linking constructs. We propose that each view has value, and it is important to understand their differences so the value can be more fully recognized. Indeed, future research is needed that looks at these topics in more detail.

*References are available on request.*

# Impact of Reward Type on Survey Response Rate and Quality

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## ABSTRACT

In an age of increasing consumer reluctance to answer online surveys, survey panels are resorting to offer various kinds of rewards to attract customers to answer surveys. Although there is extensive research on the effects of rewards on response rates in traditional mail surveys, there is limited research on the effects of rewards in online mobile surveys. This study attempts to address the gap in literature by comparing the response rate and response quality of five different reward types offered to online survey respondents, including monetary and nonmonetary rewards. The results indicate that offering instantly redeemable small cash rewards on popular ecommerce websites yields the highest response rate. In terms of response quality, all reward groups, barring the “points” group, yielded good quality responses.

**Keywords:** *mobile, online survey, reward, market research, survey panel*

**Description:** *This study examines the effect of different rewards on the response rate and response quality in an online experimental setup.*

## Introduction

The advent of internet and emergence of ecommerce has propelled the growth of online research to colossal heights over the past 15 years. To keep up with this growth, researchers have developed innovative ways of accessing and utilizing data from respondents—one of which being utilizing smartphones as a medium for distributing surveys. Despite the evolution of technology and means to collect data, researchers still find it difficult to achieve the needed quota of interviews on time for several reasons including fatigue, lack of time, complicated questions, etc. Given this backdrop, researchers are increasingly inclined towards using rewards as an incentive to increase survey response rates. In this context, a host of researchers have found that the use of rewards, be it monetary or nonmonetary, has a positive impact on response rate and quality (Huck and Gleason, 1974; Armstrong, 1975; Shank et al., 1990; Church, 1993). Hence, researchers and practitioners, both alike, implement various forms of reward systems to motivate respondents to complete a survey (Bevis, 1948; Dohrenwend, 1970). The variations on the types of rewards are mainly of monetary (cash, gift coupons, prize draws etc.) and nonmonetary types (altruistic rewards). Bosnjak and

Tuten (2003) found that compared to no incentives, prize draws increase completion rates and reduce various incomplete participation patterns.

The effect of the type and value of such rewards on response rates and quality has also been the subject of several empirical analyses. While results of some studies suggest that a nonmonetary reward increases the probability of responding to a questionnaire (Robertson and Bellenger, 1978), other studies argue that monetary rewards (Cash/Gift cards/Prize draws) are far superior in enhancing both consumer response rate (Kanuk and Berenson, 1975; Furse and Stewart, 1982; Helgeson et al. 2002) and its quality. For instance, Champion and Sear (1969) studied the effects of an egotistic appeal (*stressing the importance of the individual's response so that his/her opinions will be known*), versus an altruistic reward (*emphasizing a respondent's opportunity to do something for charity*) on response rate. Surprisingly, the authors found that the egotistic appeal produced a greater response rate than charity reward in all categories of respondents examined. On a similar note, Robertson and Bellenger (1978) studied the effect of a charitable contribution on the respondents' willingness to answer a survey. The authors posit that the use of such charitable contribution increases

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the probability of responding to a questionnaire than does the promise of a cash reward. In their research on incentives in mail surveys, Gendall and Healy (2008) reported that the promise of a donation to charity had significantly increased the response rate in two out of three mail surveys they conducted.

In addition, there is also considerable evidence that responses to surveys are enhanced through the provision of monetary rewards (Huck and Gleason, 1974; Armstrong, 1975; Church, 1993). Shank et al. (1990) have investigated the effect of cash versus noncash incentives in mail surveys. The authors demonstrated the effectiveness of immediate cash rewards over delayed noncash rewards. Non-cash and cash incentives to every person who completed the survey increased the response rate significantly. Another study (Cobanoglu et al., 2003), assessed the effect of type of monetary reward on response rates and response speed of online surveys. Results indicated that offering a noncash reward (luggage tag) incentive along with a prize draw incentive resulted in a higher response rate than simply offering only a raffle/prize draw incentive. Yet another health care study found that cash incentives increased response rates significantly (Wang et al. 2002). Birnholtz et al. (2004) conducted an experiment to determine the effectiveness of three “invitation and incentive” combinations in a web-based survey—a \$5 bill sent with the survey instructions via first class mail, a \$5 gift certificate code to Amazon.com sent with the survey instructions via first-class mail, and a \$5 gift certificate code to Amazon.com sent with the survey instructions via email. Results showed that \$5 bills led to significantly higher response rates than either gift certificate. Also, Church’s (1993) metaanalysis found that monetary incentives yielded higher response rates than gifts. Although there is extensive research on the effects of rewards in mail surveys, there is limited research on the effects of rewards in online/mobile surveys. Also, given the lack of concurrence among authors, and the fact that no comprehensive effort has been made to date (to the best of our knowledge) to understand the best reward type, there exists an opportunity to address this issue. Against the above backdrop, the present research aims to understand which form of reward gives maximum high quality response rate in online/mobile surveys.

## Methodology

A survey comprising of a total of 10 questions was created using the online survey platform—getinsights.co and launched using Facebook Advertising. The survey URL was used as the destination URL for the Ad. Facebook users were redirected to the survey link when clicked on the Ad. The reward being offered for completing the survey was clearly mentioned on the Ad. Six such Ads were created, one for each reward group. The six groups are described below:

1. *No reward (control)*: No charity or cash incentive was offered (control group)
2. *Egotistic appeal*: The importance of the individual’s response was stressed so that his/her opinions will be known; No charity or cash incentive was offered
3. *Instant cash*: A promised cash reward \$0.5 (to be credited to the wallet of a popular ecommerce website that can be redeemed *immediately*)
4. *Points*: 100 points worth \$1 cash was added to wallet (Points could be collected *over a period* and redeemed for a gift voucher on a popular ecommerce website **ONLY** after a total of 1000 points are collected)
5. *Prize draw*: Respondents would get to participate in a prize draw and the winner would win a gift voucher of \$10 on a popular ecommerce website
6. *Charitable contribution*: A small cash amount of 0.5\$ was promised to be contributed to a charity on behalf of the respondent

All six groups received identical questionnaires. The following variables were controlled across the six groups: Number of questions (9), Reach (~50000), Duration (36 hours) and Target audience (Pan India; Age Group: 18 to 65 years). Table 1 summarizes the six different experiment groups.

There are two dependent variables in this study:

1. Response rate: Response rate was calculated by dividing the net responses by the number of clicks.

**Table 1.** Experiment Groups and Incentives Offered

	No Reward	Egotistic Appeal	Instant Cash	Points	Prize Draw	Charity
Reward	—	—	Instant cash	100 points	Gift voucher	Cash reward donated to a charity
Reach	51,625	49,687	49,267	49,243	49,396	49,291

2. Response quality: Response quality was measured by assigning scores to each question. A few trick questions and open-ended questions were included as a part of the survey. Despite there not being a “right” or “wrong” answer in survey questions, the trick questions were designed such that, there is always a right answer. Scores were assigned to every response depending on the correctness of answers to such questions. The responses were then classified into either good quality responses or poor quality responses. The percentage of good quality responses for each reward group was then calculated and compared across groups.

## Analysis and Results

### Response Rate

Table 2 summarizes the response rates of the six groups. Our findings stand in marked contrast to those reported by Robertson and Bellenger (1978) but in accordance with that of Furse and Stewart (1982). The average response rate was 5%. The instant cash reward group showed the highest response rate of 15%, followed by the prize-draw group with 7% response rate (RR), and the points group with only a 4% RR. The control group and the charity group got a RR of 2% (Table 2) each whereas the egotistic appeal group performed the lowest with just a 1% RR.

Pairwise z-tests of equality of proportions (Marascuilo, 1971) were used to examine if the response rates of each reward group vary significantly from every other reward group (Table 3).

The z-test shows significant differences in response rates between all the groups, barring that between the charity reward and the no reward group (*The response rate for the charity reward did not significantly differ from that of the no reward control group*). Offering a cash reward resulted in a significantly higher response rate (RR) than the RR obtained with any of the other five groups. This was followed by the RR of the prize draw incentive which was significantly higher than the RR of the remaining 4 reward groups. The egotistic appeal reward group performed the lowest with a significantly lower RR when compared to the rest of the reward groups.

### Response Quality

We also examined the effect of reward type on response quality. Table 2 summarizes the quality of responses of the 6 groups. The average response quality was 86%. The charity reward group showed the highest response quality of 97%, followed by the prize-draw group with 94% response quality (RQ), and the instant cash reward group with a 91% RQ. The

**Table 2.** Response Rates of the Six Reward Groups

	No Reward	Egotistic Appeal	Instant Cash	Points	Prize Draw	Charitable Contribution
Reward	—	—	Instant cash	100 points	Gift voucher	Cash reward donated to a charity
Response rate	2%	1%	15%	4%	7%	2%
Quality of responses	84%	85%	91%	64%	94%	97%

**Table 3.** z Test Results Between Different Reward Types (Response Rate)

	No Reward (Control)	Egotistic Appeal	Cash Reward	Points	Prize Draw	Charity
No reward (Control)	—	2.06*	−7.47**	−2.09*	−4.02**	0
Egotistic appeal		—	−6.62**	−2.58*	−3.97**	−1.21*
Cash reward			—	13.67**	7.64**	22.61**
Points				—	−2.22*	2.7*
Prize draw					—	7.33**
Charity						—

\* $p < 0.05$ ; \*\* $p < 0.001$

control group and the egotistic appeal group got a RQ of 84% and 85% respectively (Table 2). The points reward group performed the lowest scoring a mere 64% in RQ.

Pairwise z-tests of equality of proportions (Marascuilo, 1971) were used to examine if the response quality of each reward group varies significantly from every other reward group. The z-test shows significant differences in response quality between all the groups, barring that between the egotistic appeal and the no reward control group (Table 4). Offering a charity reward resulted in a significantly higher response quality (RQ) than the RQ obtained with any of the other five groups. This was followed by the RQ of the prize draw incentive and that of the instant cash reward.

## Discussion

The results describing the differences in characteristics of various groups based on monetary and nonmonetary benefits for answering online surveys provides interesting insights. The fact that the response rate of—the no reward control group, the egotistic appeal group and the charity group was much lower than the RR of the other groups that offer monetary benefits suggests that respondents are not motivated or inclined to fill surveys when there is lack of tangible monetary benefits. Even intangible benefits (like charity or boosting their ego) do not seem to increase response rate as against monetary benefits. Of the three monetary benefits offered, the instant cash reward scored the highest response rate indicating that even within monetary benefits, respondents prefer immediate over delayed gratification. However, when it comes to response quality, offering a charity reward yielded the best response quality closely followed by a prize draw reward and the instant cash reward. The points reward scored the least in terms of response quality.

To understand which reward or combination of reward results in both a high response rate and quality, we define

and construct a matrix that describes the nature of a respondent based on his inclination to respond and quality of his response and, the nature of reward that causes this behavior. The matrix is described as follows:

### **Low Response Rate; High Response Quality: “The Passive Respondent”**

The respondents described in this quadrant display low levels of inclination towards answering surveys but display high levels of involvement. Given the low levels of inclination, these consumers can be described as “passives” in the sense that they have no willingness to answer a survey however, if they do answer a survey, they do it with high involvement. This form of response behavior is common when there is no reward offered to the respondent for answering a survey or when a charitable contribution is made on behalf of the respondent to answer the survey.

### **High Response Rate; High Response Quality: “The Active Respondent”**

The respondents described in this quadrant are characterized by high levels of inclination and involvement in answering an online survey. Given the high levels of inclination and the high involvement, these consumers can be described as “actives” in the sense that they have a high willingness and involvement when it comes to answering surveys. This form of response behavior is common when small cash rewards are awarded to the consumers which can be cashed in immediately on popular ecommerce websites or when the consumers are given a chance to participate in a prize draw to win a major price.

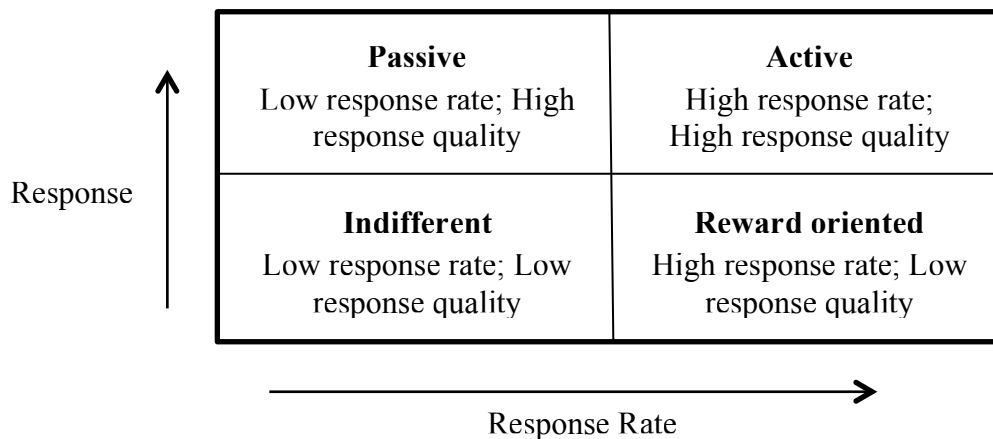
### **Low Response Rate; Low Response Quality: “The Indifferent Respondent”**

This quadrant describes consumers who have no inclination and no involvement in answering surveys. This form of

**Table 4.** z Test Results Between Different Reward Types (Response Quality)

	No Reward (Control)	Egotistic Appeal	Cash Reward	Points	Prize Draw	Charity
No reward (Control)	—	−1.83	−5.02**	8.55**	−8.64**	−15.64**
Egotistic appeal		—	−2.36*	8.09**	−4.98**	−9.9**
Cash reward			—	13.7**	−3.08**	−8.57**
Points				—	−23.9**	−36.6**
Prize draw					—	−3.61**
Charity						—

\* $p < 0.05$ ; \*\* $p < 0.001$



response behavior is common when points are awarded to consumers and these points must be accumulated over time and cannot be cashed in immediately. Currently, most the online panels use the “points” system of rewarding its members. Our research clearly shows that this popularly used method neither yields a good response rate nor good quality responses.

**High Response Rate; Low Response Quality:  
“The Reward Oriented Respondent”**

In this quadrant consumers are highly inclined towards answering surveys, but do not show complete involvement. This could simply mean that the consumers are answering the surveys just for the cash. This is the quadrant that needs to be avoided at no cost. Not only will a researcher end up spending a lot of resources for the responses, the responses will not be of good quality as well.

**Conclusion**

Although researchers are using online/mobile surveys more often than ever, there has been little research on the effect of rewards on the response rate and quality of such online/mobile surveys. This study tried to fill in some of the gaps in literature by comparing the response impact of different types of rewards offered to the respondents of online/mobile surveys. The results indicate that offering instant cash on popular ecommerce websites yields the best response rate followed by the prize draw incentive. There was no significant difference in response rate between charitable contribution and offering nothing at all. Appealing to a respondent’s ego received the lowest response rate much in contradiction with the results of the study by Champion and Sear (1969). The quality of responses remained high amongst all reward groups except the points group, which yielded poor quality responses.

**Managerial Implications**

Currently, much of the online panels use the “points” system of rewarding its members. Members are awarded points for every survey they complete and only after a minimum number of points are collected, the members can redeem the points for a gift card. This process is quite tiring since the gratification for completing a task is much delayed. Based on the findings of the present study, the points collection method yielded both a low response rate and poor quality. A few other online panels donate to charity on behalf of the respondent on completion of a survey. However, in the current study, the charity method of rewarding the customers also yielded a very low response rate. It may therefore be recommended that researchers/research panels switch to using immediate gratification rewards such as instant cash rewards on popular ecommerce websites when conducting online surveys to achieve higher response rates and quality. Since this cash can be immediately redeemed by a respondent, the gratification for complete the task is immediate. In addition to offering a small cash reward to all respondents, entering them into a prize draw for a bigger prize would increase the response quality even further. However, since offering only a chance to participate in a prize draw has minimal impact on the respondents, it is recommended that researchers always combine the prize draw offer with a small cash reward for each respondent rather than merely offering a prize draw. If a bigger prize is impractical due to monetary limitations, it is desirable to offer just the small cash reward to the respondents.

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# Customer Information Elicitation (CIE): The Impact of Privacy Assurance, Personalization, and Monetary Incentives

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**Keywords:** *privacy, personalization, customization, market research, survey, field experiments*

**Description:** *Based on a large-scale randomized field experiment with over 15,400 customers, this study unveils the asymmetric effects of alternative Customer Information Elicitation (CIE) strategies, namely privacy assurance, personalization appeal, and monetary incentives.*

## EXTENDED ABSTRACT

### Research Question

This study sets out to test the effectiveness of these three customer information elicitation (CIE) strategies: privacy assurance, personalization appeal, and economic incentive, using a large-scale randomized field experiment. Our research questions are two-fold. First, what CIE strategy is more effective in enhancing survey participation and willingness to provide personal information? Also, since the ultimate purpose of collecting customer information is to boost firm performance, a CIE strategy is not desirable if it negatively influences sales or profits, even if it could help collect more customer information. Hence, another key question we attempt to answer is: how do various CIE approaches influence customer purchases independently and jointly?

### Method and Data

We conducted the field experiment with a leading retailer. The subjects of the experiment were randomly sampled from the company's members, who registered to the loyalty program with their personal information and contact. The 15,472 subjects of the experiment were randomly sampled from the company's registered members. They are invited to participate in an online survey via short text messages (SMS) with different experimental treatments. The experiment is following a 2 (with vs. without privacy assurance) ×

2 (with vs. without personalization appeal) × 2 (low- vs. high-level monetary incentive) between-subject design. The sampled subjects were randomly assigned to the eight treatment groups, which are insignificantly different in terms of personal characteristics and previous purchases.

The survey for our field experiment took the format of an online questionnaire, which was open to the subjects for one week. During that week, the subjects could click on the link in the SMS message any time to log in the survey. The CIE survey consisted of four parts. The formats of the survey questions are mixed ranging from five-point scales to open-ended questions (e.g., filling blanks).

### Summary of Findings

The results show that, interestingly, *privacy assurance* reduces the likelihood of survey participation instead of boosting it. Yet, it at the same time directly enhances the likelihood and amount of purchase. The effect of *personalization appeal* is significant in enhancing only customers' purchase but not their willingness to provide personal information. Moreover, its positive effect on customer purchase lasts longer than those of the other CIE strategies. *Monetary incentives* do not significantly affect survey participation, but increases purchase. However, it does not seem wise to

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use monetary incentives along with nonmonetary incentives. The positive effect of privacy assurance or personalization appeal on customer purchase is mitigated when combined with monetary reward.

### **Key Contributions**

To our knowledge, this study is the first large-scale field experiment on consumer privacy in the context of personal information elicitation. Our study makes three contributes. First, it adds to the market research and consumer survey literature by providing “hard” causal evidence for the effects of three key CIE strategies and their combinations. Second,

it looks beyond the mere survey response rate and points out the sales impact of CIE on purchase behavior. Third, it reveals how privacy assurance may be substituted by other CIE in collecting personal information and affecting consumer purchase behavior.

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*References are available on request.*

# A Four-Nation Exploration of the Effectiveness of Three Listening Strategies

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**Keywords:** *listening, sales, international, experiment, communication*

**Description:** *The effectiveness of three listening strategies is assessed and compared through an experimental design with 493 students from India, Ireland, Saudi Arabia, and the United States, revealing significant improvements in comprehension over a control group.*

## EXTENDED ABSTRACT

### Research Question

How can we improve our listening skills? Prior research has underscored the value of using “active listening” strategies such as active empathetic listening (Drollinger et al., 2006; Bodie, 2011); adaptive selling (Spiro and Weitz, 1990); and listening across cultures (Imhof and Janusik, 2006). However, despite its importance, marketing students and professionals receive little coaching or instruction for situations when listening is particularly difficult—i.e., when we are required to listen carefully to another person in the presence of hindrances to communication (distractions, inattention, poor delivery). Salespeople, students, journalists, counselors ... are often faced with the task of “tough listening”—when they must listen carefully to a person that is not communicating in an interesting or engaging manner, when the environment is full of distractions, or when they as listeners are fatigued. The major hindrances to effective listening have been well documented, but extant research that addresses how people might overcome those hindrances is scant. The purpose of this paper is to explore the range of strategies that people use to improve their comprehension and empathy of others when they wish to listen carefully but find it difficult to do so.

### Method and Data

The listening process was first examined using qualitative methods to explore existing listening strategies that people

have found effective and useful both in a business meeting context and in interpersonal interactions. Data collection was conducted in person with 87 young working professionals from 21 countries over a one-year period. Three types emerged.

An experiment was designed to test the effectiveness of the 3 listening strategies against a control group, and the strategies were compared across the four countries: India, Ireland, Saudi Arabia, and the United States. 493 students from a variety of universities in four different countries participated in the study. For Ireland  $n = 191$ , for India  $n = 89$ , for Saudi Arabia  $n = 110$ , and for the U.S.  $n = 103$ . The online research system Qualtrics was used to administer the stimuli and record answers to the questions on computers. Participants were assigned randomly to one of the four conditions (3 treatment and a control group) and were provided with instructions on how to use the listening strategy assigned as they listened to a speaker in a video. Control group participants were instructed to listen to the video as they would normally.

### Summary of Findings

A one-way ANOVA was used to evaluate the impact of the 4 conditions on the dependent variable (recall) with Country and Need for Cognition as covariates. The overall model

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was significant ( $F = 3.59$ ,  $p = 0.000$ ) and the listening strategy manipulation was significant ( $F = 4.55$ ,  $p = 0.004$ ). The interaction term was not significant ( $F = 1.20$ ,  $p = .292$ ).

Based on the above analysis, the means of the recall measure were compared across the manipulation strategies used by the participants. All three of the treatment conditions resulted in recall scores that were significantly greater than the control group. The factor for Country was significant ( $F = 13.775$ ,  $p = 0.000$ ), and post hoc comparisons revealed this was due to the difference between the recall scores in Ireland and India.

### **Key Contributions**

The practice of effective listening is perhaps one of the most human and fundamental components of community, commerce, and culture. Several academic disciplines such as marketing, education, communication, and psychology have closely examined the listening process in an effort to understand and improve it.

It appears from the results of this study that individuals may benefit from learning and practicing a set of listening strate-

gies they can use when they need to listen well but conditions are difficult. Certainly, the significant results from the 3 strategies warrant further investigation, ideally by studying them in live person-to-person interactions.

Salespeople, counselors, executives, teachers, and students often need to listen carefully to others under difficult circumstances in order to understand both the information being communicated, and to gain insight and empathize with the person speaking. Future research should attempt to determine the listening strategies that are most appropriate and effective for different situations and for different cultures. If listeners' comprehension, empathy, and recall can be significantly enhanced through one or more of these strategies, the technique(s) could be added to industry training materials and our university curricula.

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*References are available on request.*

# Does Context Matter? An Investigation of the Contextual Interpretation of Predictive Analytics on Consumer Marketing Effectiveness

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**Keywords:** *predictive analytics, marketing, big data, performance, consumer.*

**Description:** *This paper attempts to investigate if in fact the contextual interpretation of predictive analysis in a target market will produce actionable data that can be used to improve market effectiveness while determining how predictive analysis impacts the market performance of firms.*

## EXTENDED ABSTRACT

### Research Question

This paper aims to address one of the central questions plaguing firms that use technology in their marketing operations; “*Do marketing activities become more effective when companies apply predictive analysis in the context of the market they serve?*” What the research study aims to achieve is to identify if the relationship between the results obtained from predictive analysis of a market segment can be used within the context of that market to influence the effectiveness of marketing activities. This study is important because it attempts to draw a relationship between predictive analysis and marketing effectiveness. Two pertinent propositions are made;

P<sub>1</sub>: Predictive analysis that considers the context of the target market yields actionable data that can be used to improve marketing effectiveness.

P<sub>2</sub>: There is a positive correlation between the use of contextual predictive analysis and marketing effectiveness.

The paper addresses the expanding role of predictive analytics in the field of consumer marketing while attempting to determine what impact, if any it has on marketing effectiveness of firms.

### Summary of Findings

This research identified some interesting facts relating to the relationship between the use of predictive analysis and effective marketing activities. The proposition that context based predictive analytics will very likely affect marketing effectiveness of firms was established through the study. Some key ways in which marketing effectiveness is improved by predictive analytics include; (1) Provision of market-relevant intelligence on consumers’ bias to products and services, (2) Greater depth of consumer behavior prediction, providing enhanced understanding of future demands and (3) Increased understanding of the market dynamics, leading firms to improve their marketing strategy.

Today consumers use a variety of devices to generate data that are plausible sources of data for extensive marketing analytics. Big data is now an evolving technology that predictive analysis utilizes to be more effective in marketing operations.

### Key Contributions

This study makes some significant contribution to academic literature on the impact on marketing effectiveness using computing technologies with particular reference to predictive analysis. The study ascertains three theoretic implications:

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1. Identifies a concrete relationship between the improvement in marketing effectiveness of a firm and its use of predictive analysis.
2. Supports the notion that contextually accurate analysis provides better input for intelligent business decisions in firms and,
3. Supports the proposition that predictive analysis provides detailed insight to domain specific areas which can lead to the availability of actionable data.

The paper also identifies managerial implications relevant to this study. Managers can now go beyond forecasting market trends to predicting the future outcome of events likely to occur in their operating environments with a greater depth of accuracy. This research shows that when information is obtained from consumers that is based on the context of the market, the firm is able to make more decisive and accurate decisions that lead to measurable performance from a marketing perspective.

*References are available on request.*

# Comparing Apples with Oranges: The Impact of Dynamic Bundling on Price Fairness Perceptions

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*Adam W. Craig, University of Kentucky*

**Keywords:** *dynamic pricing, bundling, fairness and unfairness perceptions, dynamic bundling, transaction similarity and comparison intentions*

**Description:** *In this paper, we provide a new pricing strategy, dynamic bundling, to reduce consumer unfairness perceptions associated with dynamic pricing.*

## EXTENDED ABSTRACT

### Research Question

While dynamic pricing can increase profitability (up to 25%; Garbarino and Lee 2003; Petro 2015), it also can cause problems for firms. Consumers experience greater perceptions of unfairness and lower levels of trust when prices are different across consumers (Cox 2001; Garbarino and Lee 2003; Grewal, Hardesty, and Iyer 2004; Haws and Bearden 2006). Is it possible for firms to reap the benefits of extracting consumer surplus from using dynamic pricing while not having to worry about arousing consumer unfairness perceptions? What managerial strategy can help firms to extract surplus without reducing fairness perceptions? What underlying mechanisms explain the effectiveness of this strategy?

### Method and Data

We conducted 5 studies. In studies 1 and 2, using different products in the retail context, we investigate the impact of dynamic bundling on fairness perceptions relative to dynamic pricing. We examine whether consumers in the dynamic bundling condition perceive the price as fairer than those in the dynamic pricing condition. We also try to understand whether the effectiveness of dynamic bundling depends on the price discrepancy between the products in the bundle (study 2). In study 3, we test the underlying mechanism in different industries (i.e., hotel and airline). Specifically, we examine whether dynamic bundling will

increase perceived transaction dissimilarity and then reduce consumers' comparison intentions and hence enhance price fairness perceptions. In study 4, we try to replicate the serial mediation results of study 3 while accounting for estimated prices of the products in the bundle and uncertainty associated with these estimates. Finally, in study 5, we include fixed pricing conditions and directly compare dynamic bundling with fixed pricing to see their impact on consumer fairness perceptions.

### Summary of Findings

The results from five studies provide evidence that compared with dynamic pricing, dynamic bundling not only leads to higher fairness perceptions but also generates perceptions as fair as those of fixed pricing. This effect emerged across multiple types of products and scenarios. Our studies also identify a novel underlying mechanism for pricing research while ruling out a number of alternative explanations. Dynamic bundling increases the perceived dissimilarity among transactions and thus makes consumers less likely to make a comparison. In turn, the reduced comparison intentions lessens unfairness perceptions. We provide further support for the proposed mechanism by addressing potential alternative explanations. Specifically, we demonstrate that dynamic bundling enhances fairness perceptions beyond the effect of consumers' discount expectations for the bundles. Our stud-

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ies further eliminate estimated prices of the products in the bundle and uncertainty of the external reference price of the tie-in product as alternative explanations.

### **Key Contributions**

First, we believe we are the first to introduce the combination of bundling and dynamic pricing as a new pricing strategy. Although previous research has studied dynamic pricing (Kannan and Kopalle 2001) and bundling (Elberse 2010) in isolation, no research has investigated their combined effectiveness.

Second, we offer a process explanation for why dynamic bundling reduces price unfairness perceptions. Specifically, we establish a serial mediation model in which perceived

transaction dissimilarity and comparison intentions mediate the effect of dynamic bundling on fairness perceptions.

Third, our research contributes to the bundling literature by showing another benefit of bundling, enhancing fairness perceptions. This investigation is important because fairness perceptions directly impact consumer future purchase intentions and thus firms' future revenues. And, while some recent research finds that unbundling may increase current revenue (Koschat and Putsis 2002), potentially reducing the utility of bundling in some conditions, our findings provide firms a new factor to consider when deciding whether to implement bundling.

*References are available on request.*

# Cognitive Biases as a Challenge to Value-Based Pricing in Business Markets

*Mario Kienzler, Linköping University*

**Keywords:** *cognitive biases, managerial decision making, value-based pricing, business markets*

**Description:** *The article examines how cognitive biases can hinder managers in business markets from practicing value-based pricing.*

## EXTENDED ABSTRACT

### Research Question

While many marketing scholars consider value-based pricing to be a favorable pricing practice (e.g., Monroe 2003), most firms practice cost-based or competition-based pricing (Hinterhuber 2008). The existing literature has for the most part argued that this inconsistency between pricing theory and pricing practice is a consequence of organizational challenges in implementing and using value-based pricing (e.g., Liozu et al. 2012). The present article reports evidence that this inconsistency is also due to biases in managerial cognition and addresses the following research question: How do cognitive biases influence managerial pricing practices in business markets?

### Summary of Findings

The article presents a conceptual overview of five cognitive biases of immediate relevance and provides evidence that these biases influence value-based pricing as follows.

1. *Perceived lack of control* causes managers to underestimate their influence on pricing, as they believe that others (e.g., markets or competitors) dictate prices. As a consequence, value-based pricing is neglected.
2. *Price herding* occurs when managers believe that competitors' prices offer more insight into profitable pricing than their own private information. Herding exaggerates the importance of competitors in determining pricing, at the expense of customer value.

3. Managers who are affected by the *fixed-pie bias* see pricing as a zero-sum game, in which the metaphorical "value pie" is fixed and can only be divided but not increased for the mutual benefit of supplier and customer (i.e., positive-sum game). On that basis, value-based pricing is overlooked.
4. *Ambiguity aversion* prompts a focus on precise information (e.g., unit costs) rather than on imprecise but potentially more critical information (e.g., customer value).
5. Managers subject to *price fairness bias* view costs rather than customer value as the more viable basis for fair prices. As a consequence, value-based pricing is considered unfair and is not practiced.

### Key Contributions

This article makes three specific contributions to the literature on managerial pricing practices. First, it examines how five cognitive biases can hinder managers in their use of value-based pricing. Second, it discusses the primary causes of these biases and their effects on pricing practices in general. Third, it contributes a set of testable propositions. These propositions provide a basis for future research on the influence of cognitive biases on value-based pricing.

*References are available on request.*

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# Contingency Selling Under Product Uncertainty and Service Capacity Constraint: A New Pricing Model with Applications to Sports Events

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**Keywords:** *contingency selling, pricing, sports marketing, service marketing, capacity constraint*

**Description:** *In this paper, we propose a new profit enhancing pricing model for markets where the product is sold in advance with uncertainty and the seller faces capacity constraint in the supply.*

## EXTENDED ABSTRACT

### Research Question

Sports events marketing presents marketing scholars with some unique challenges that are atypical to other markets. First, tickets for most popular sports, particularly tournament style events, are typically sold in advance when it is uncertain which team will make it to the particular game. A second issue with sports tournaments ticket selling is that the demand often far exceeds the service capacity, which is limited by the number of seats in the venue. These two forces together give rise to potential inefficient ticket allocation. On one hand, a consumer may purchase a ticket and end up paying for a game without her favorite team. On the other hand, another consumer may not purchase but his favorite team does play.

To address this issue, we propose a new pricing model. The basic premise is to enable the seller to set ticket price in a contingent fashion—some tickets will be valid only when a certain team gets into the game, and other tickets are valid when another team gets to play. In doing so, the seller can charge the price for each type of ticket, called “contingency ticket,” based on the willingness-to-pay of the fans of that team.

### Method and Data

We adopt analytical modeling approach to tackle the research question.

## Summary of Findings

We show that (1) compared with the traditional way of ticket selling, contingency ticket selling generates efficient ticket allocation for a wider range of parameters, (2) contingency ticket selling is more profitable than traditional ticket selling when capacity constraint (e.g. the size of a stadium) is relatively small or the game is relatively popular, and (3) the advantage of contingency selling holds even when secondary market exists, no matter if the secondary market is modeled as decentralized marketplace or centralized marketplace.

## Key Contributions

Three major contributions are made in this paper. First, we highlight the significance of unique features in sport markets such as capacity constraint, product uncertainty, and conflicting consumer preferences. These features play important roles in influencing firm’s revenue and ticket distribution.

Second, we propose an implementable pricing model, contingency selling, which simultaneously enhances sport organizer’s profit and achieves efficient ticket allocation among consumers.

Third, the insights of our model also shed light on the understanding of marketplaces other than sports markets, as long as uncertainty and capacity constraint are both relevant.

*References are available on request.*

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# An Investigation of Consumer Search and Choice Efficiency in the Automobile Industry

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**Keywords:** *consumer search, product efficiency, search for automobiles, data envelopment analysis*

**Description:** *This paper studies the relationship between product efficiency and the use of online and offline information sources by automobile buyers.*

## EXTENDED ABSTRACT

### Research Question

The paper investigates the relationship between product efficiency and use of online and offline information sources by new automobile buyers. It finds answers by developing a quantified measure of vehicle efficiency and identifying the influential online and offline search sources along with their impact magnitude.

### Method and Data

Two datasets are used in this work: (1) data from over 120 vehicles in the U.S. market in 2011, and (2) a sample of about 600 car buyers collected in 2011 by running a survey. Data Envelopment Analysis model (DEA) is used to estimate the efficiency of automobile purchases based on cars' attributes, using value for the money as the criterion. Tobit model is then used to investigate the relationship between the estimated vehicle efficiency numbers and the search sources used by car buyers.

### Summary of Findings

Our key result is that consumers who spend more time searching manufacturer and dealer web sites tend to pur-

chase more efficient cars. Based on our findings, use of other information sources is not significantly associated with efficiency. These findings underscore the importance to buyers of manufacturer and dealer web sites.

### Key Contributions

As far as we know this is the first study which directly investigates the relationship between search sources and search outcome for new car buyers. Our results indicate that additional time with manufacturer and dealer web sites is associated with increased value per dollar of measurable car attributes. This result suggests that those interested in value are likely to spend a lot of time searching on manufacturer and dealer web sites. Therefore, having an informative web site is critical to manufacturers and dealers that provide high value for the money.

*References are available on request.*

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# A Framework to Segment Life Events Using Customer Transaction Data

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*Andrew Smith, Nottingham University*

*Deborah Roberts, Nottingham University*

**Keywords:** *life course, consumer behavior, marketing, data mining, machine learning*

**Description:** *We create a framework to divide a life event (e.g. parenthood) into different stages using a big data set (10 years of loyalty card data from 3.4 million customers of a multinational retailer) and predict which customers are experiencing each stage using data mining algorithms.*

## EXTENDED ABSTRACT

### Research Question

Life course research focuses on how consumption patterns change over time as people grow and experience events during different stages of their lives (Andreasen, 1984; Hogg, 2013; Karanika and Wolf et al., 2014). Life course studies have described how a broad range of events experienced by people over the course of their lives can lead to changes in consumption behavior (Andreasen, 1984; Moschis, 2007). There are also studies that have focused on changes in consumer behavior during specific events too (Fischer and Arnold, 1990; Lee et al., 2008). Empirical studies have generally used data gathered from surveys (Andreasen, 1984; Du and Kamakura, 2008; Mathur et al., 2008) or interviews (Karanika and Hogg, 2013; Rossi et al., 1996) and there has been little longitudinal research that uses transaction data to examine how events experienced by people affects their consumption patterns over time.

In our research, we address three main questions (1) How can we formally represent and quantify the impact of life-events on purchasing behavior? (2) How can the times at which purchasing behavior changes during an event be predicted? (3) How does purchasing behavior change during each event-stage? We draw together concepts and techniques from multiple disciplines to show how big transaction data sets can be used to examine customer behavior during life events.

### Method and Data

We create a three-stage framework to describe how groups of customers experiencing an event can be selected from

transaction data, how the event can be divided into different stages based on their consumption patterns, and how to predict which customers are experiencing each event-stage.

### Customer Selection

Our initial sample was a transaction data set of 3.4 million customers from a multinational health and beauty retailer. These customers bought around 650 million items from 455 product categories over a 10-year time period between 2006 and 2015. To investigate the changes in consumption patterns during the life event of parenthood, we reduced the initial sample to include only the customers who shopped at the retailer during the entirety of the event. This left us with a sample of 18,902 customers who purchased 12.7 million items over a 6-year time period.

### Event-Stage Segmentation and Prediction

We used the e-divisive algorithm from Matteson and James' (2014) ECP package for R to divide the life event of parenthood into different stages. The algorithm detected the points at which significant changes occurred in our multivariate time series data set. We varied the sensitivity of the algorithm to divide the event into 2, 4, 6 and 12 stages (which gave us four different cases). To test how accurately we could predict when a person was experiencing each stage of parenthood, we used a classification tree algorithm.

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## Summary of Findings

We found that the consumption behavior of the average parent shopping at our health and beauty retailer changed over a period of 6 years (the amount of time from when the spend on different product categories started to change to when it stabilized). It was possible to detect distinct changes in shopping patterns during the life event of parenthood, and as we divided the event into more stages, it was more difficult to accurately predict which customers were experiencing each stage. The average prediction accuracies for 2, 4, 6 and 12 stages were 100%, 79%, 65% and 44% respectively. The challenge for managers would be to balance the amount of opportunities to market products to customers (i.e. more stages or change points) with an acceptable prediction accuracy.

## Key Contributions

This study contributes to analytical CRM, data mining and life course literature by providing the first example of how a large transaction data set can be used to divide life events into different stages without the need for specific domain knowledge. It provides the foundations for a novel framework that could be used by managers to target customer segments for direct marketing material or product recommendations at appropriate times during life events that they may be experiencing. It could also be useful to help managers merchandise, and plan stock or staffing levels depending on the population experiencing these events and the location of the events themselves.

*References are available on request.*

# Modeling Product Diffusion Across Generations: The Effect of Product Consistency

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**Keywords:** *product diffusion, product consistency, new product development, Norton–Bass model, nonlinear least squares*

**Description:** *This paper investigates how product consistency influences the performance of cross-generation product diffusion.*

## EXTENDED ABSTRACT

### Research Questions

New product development is a resource-intensive and risky process, thus, managers constantly seek for information to make better decisions before introducing new products to the market. To provide managers a more effective solution for predicting new product performance, our study aims to address the following research questions:

1. How does the product diffusion process influence new and existing product performances?
2. What is the role of product consistency in this process?

### Method and Data

To investigate these research questions, we developed an analytic model based on the classic Norton-Bass model. Specifically, we introduce the product consistency as a contingent variable into the NB model. Our model not only examines the product diffusion process across generations, but also considers the influence of product consistency in this process. To test our propositions, we collected sales data of two product generations from a company that is engaged

in machinery and electronics equipment production and sales.

### Summary of Findings

This study proposes a successive generations product substitution model that examines the consistency of products. By examining the real sales data collected from two product generations of a machinery and electronic manufacturing company, we find that the efficiency of our model in predicting the performance of the two product generations is significantly better than the classical NB model. Contributions

Our study contributes to the existing literature and managerial practice in several ways. First, this study expands the original NB model by introducing the product consistency into the model. Further, this study considers the product diffusion and substitution not only in one generation but across generations. Second, according to the findings, our model improves managers' decision making by more efficiently predicting the outcomes of product substitutions.

*References are available on request.*

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# Part C

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# Consumer Greed and Marketplace Activity

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**Keywords:** *greed, self-concept maintenance, mobile marketplace, large-scale field experiment*

**Description:** *Conducting two large-scale randomized field-experiments involving more than 175,000 users of an e-book marketplace, we investigate the ambiguous relationship between consumer greed and market outcomes.*

## EXTENDED ABSTRACT

### Research Question

Conventional wisdom suggests that greed also leads individuals to opportunistically exploit markets, and thus represents a detrimental force to the proper functioning of markets. This view, however, has been challenged by economics literature highlighting greed as a driver of behavior that stimulates marketplace exchange leading markets to prosper. These two contradicting views illustrate an unresolved ambiguity: greed may exert a negative effect on markets and society by leading to opportunistic behavior, but could also have positive effects by creating value and exchange within the marketplace. This paper addresses the ambiguous relationship between greed and market outcomes by providing field evidence on the influence of consumer greed on marketplace activity within a large e-book marketplace. Specifically, this paper examines whether a greed mindset has an effect on (i) consumers' opportunistic market behavior in terms of seizing free offers versus (ii) consumers' marketplace activity in terms of product purchases.

### Method and Data

We conducted two large-scale randomized field experiments involving more than 175,000 users of a digital marketplace. This digital marketplace is a mobile e-book platform, which is accessed via a smartphone application by over 300 million users and includes over 400,000 mobile books. Users are charged per book chapter read on their smartphones. To test our hypotheses, we sent a message offering a two-day free reading of a book to a randomized group of marketplace users. The message was in form of a "push notification" via the mobile book application. In the greed treatment, the promotional message primed users with a subtle mindset of

greed, whereas no such priming was used in the control group. In an additional large-scale field experiment, we conduct a falsification check using a humility mindset as inverse priming. We combine the two field experiments with three follow-up lab experiments (1) to replicate the main findings, (2) to conduct robustness checks, and (3) to unveil the underlying psychological mechanism the mediates the effect of consumer greed on marketplace activity (utilizing bias-corrected bootstrapping mediation analysis).

### Summary of Findings

Contrary to conventional wisdom, our findings reveal an intriguing, positive aspect of greed: Greed strengthens marketplace activity by stimulating additional consumers' purchase activities in terms of paid services, while not leading to an increase in opportunistic behavior of seizing free offers. These findings suggest that greed is a driving force of market exchanges and thus is instrumental for society due to its enhancement of the functioning of markets. Based on a large-scale randomized field experiment we are able to quantify this effect: Consumer greed increases sales by 4.8%. For the entire mobile marketplace used in this study, this is equivalent to an increase in 14 million USD in two days. A humility mindset, in contrast, would decrease economic exchange and simultaneously weaken the marketplace activity. These results are robust to alternative measures of marketplace activities. Combining field experiments with three follow-up lab experiments, we not only replicate the main findings but also support the findings with semantic priming through scrambled words of greed, rule out alternative explanations due to related constructs such as envy and materialism, and unveil self-concept maintenance as the

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underlying psychological mechanism which guides consumers' behavior in a greed mindset.

### **Key Contributions**

Providing field evidence for the effect of consumer greed on marketplace activity, we address the neglected role of greed as a motivational driver for both opportunistic and nonopportunistic market behaviors. While previous studies treat greed as an outcome variable which is operationalized as opportunistic behavior per se, our study is the first to provide empirical evidence using the psychological, subtle mindset of greed as a predictor of market behavior. This describes an important extension of prior studies on the effect of immoral mindsets and negative emotions on consumer behavior as well as contributes to the debate on duality of greed. For

research and managerial practice, large-scale randomized field experiments are becoming a vital method to quantify the sales impact of marketing activities and consumer behavior in real-life marketplaces. Field experiments describe a powerful methodological approach to provide such "hard evidence" on consumer behavior compared to commonly used lab experiments. We add to this methodological development by illustrating the capabilities of large-scale field experiments within a digital marketplace using mobile push notifications. We also highlight the use of falsification and robustness checks, using inverse priming, and alternative marketplace activities measures such as app log-ins and page views.

*References are available on request.*

# Thriving in Innovation Ecosystems: Towards a Collaborative Market Orientation

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*Daniel Wentzel, RWTH Aachen University*

**Keywords:** *market orientation, dynamic capabilities, collaborative innovation, ecosystems*

**Description:** *This paper seeks to explore the collaborative dimension of market orientation.*

## EXTENDED ABSTRACT

### Research Question

*Market orientation* relates to how well an organization is aligned towards identifying, disseminating and responding to market intelligence. Prior research has typically conceptualized and examined market orientation as a property of an individual firm or business unit. Such research has shown that market orientation can enhance firm-level innovation and performance. More recently however, the locus of competition and innovation has started to shift from the individual firm to the organizational network and business ecosystem. In view of these changing realities, we extend the notion of market orientation to account for the collaborative ecosystem within which the firm coordinates innovation. We draw on the extant literature to develop constitutive routines and associated propositions which may allow organizations to build collaborative market orientation capabilities.

### Summary of Findings

We introduce the concept of collaborative market orientation (ColMO), which we define as a set of capabilities that are

built, maintained and exercised by hub firms within an ecosystem. In this paper, we highlight three such ColMO capabilities: (1) collaborative intelligence generation, (2) collaborative intelligence dissemination and (3) collaborative responsiveness.

### Key Contribution

This paper's contribution is twofold. First, we extend the concept of market orientation by adding a collaborative dimension, thereby accounting for more recent developments in innovation management. Second, by using a dynamic capabilities approach to explicate collaborative market orientation we employ a granular, routine-based approach to market orientation, helping to put this very concept into actionable terms.

*References are available on request.*

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# Enhancement and Control Mechanisms for Multidimensional Cross-National Distances in International Alliance

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**Keywords:** *international alliance, cross-national distance, institutional theory, governance structure, equity sharing, functional scope*

**Description:** *This paper is to reveal the characteristics of different types of cross-national distances and understand the enhancement and control mechanisms for international alliance*

## EXTENDED ABSTRACT

### Research Question

In a highly competitive market environment, forming international alliances has become a popular vehicle for firms to expand their market. Although firms create market opportunities by acquiring novel resources from foreign partners, many prior researchers reveal the problems of international alliance. From the institutional theory, each country's characteristics such as linguistics, politics and other factors determine the structure of a firm and the employees' values and behavior. Such differences make the firm difficult to access the market-specific knowledge about the partner's country. This generates the problems of asymmetric information and heightens uncertainty which consequently occur transaction costs.

This paper reveals the fundamental reason for the differences in the results of international alliance as the various cross-national distances between the two countries. Cross-national distances are not just limited to the geographic distance, but they are also extended to intangible attributes such as political, economic, cultural and administrative factors. These various distances have different influence on firms; certain distances work as opportunity while others work as cost. Thus, examining the disaggregate effects of distances in multiple dimensions is important. Hence, this study classifies cross-national distances into opportunity- and cost-dominant distances, which is depending on whether they determine either resource or institutional differences, and then looks closely into each type of distance.

Given those benefits and costs, it is crucial to increase potential benefits and reduce the costs to maximize the firm performance in international alliance. For successful international alliance, firms may need relevant enhancement and control mechanisms to fully enjoy the benefits coming from international alliance while minimizing the costs. Prior research shows that the choice of functional scope in an alliance has been considered as one of the critical factors for successful alliance. Appropriate choice of functional scope and equity sharing not only promotes knowledge sharing but also decreases transaction cost in an alliance. Thus, this study reveals the roles of functional scope and equity sharing regarding the effect of distances respectively as either enhancement or control mechanism.

### Method and Data

This study collect secondary data from multiple sources, including the SDC, CRSP and Compustat. Our sample focuses on firms with primary operations in high tech industry (SIC 35, 36), initiated from 2001 to 2009. We use an event study methodology to measure abnormal stock returns associated with the announcement of a new alliance. Stock market returns provide a forward-looking metric of the future outcomes expected from the event and have been widely adopted for alliance studies. To measure the different types of cross-national distances, we use distance factors from Berry et al. (2010) which are knowledge, economic, administrative and political distance.

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## Summary of Findings

This study confirmed that economic distance, which determines resource differences, increases focal firm's returns. On the other hand, administrative distance, which determines institutional differences, decreases focal firm's returns. Our results also indicate that a broad functional scope improves the positive effect of economic distance on focal firm's returns. Furthermore, firms can attenuate the negative effect of political distance on focal firm's returns through narrowing down the functional scope. We highlight the role of equity sharing as enhancement and control mechanism. It not only enhances the benefits of knowledge distance but also attenuates the costs of political distance in alliance.

## Key Contributions

The findings of this study contribute to the current marketing literature. First, this study offers new insight into market-

ing theory by highlighting the role of multidimensional cross-national distance. It revealed the effect of each distances through categorizing them into opportunity- and cost-dominant cross-national distance respectively in reference to the RBV and TCE. Second, this paper provides deeper understanding of the role of enhancement and control mechanism on the firm performance which correspond to the diverse distances. Third, this research provides managerial implication, suggesting the useful guide for manager when choosing the scope of function and governance structure in an international alliance.

*References are available on request.*

# The Impact of Social Identity Boost on Marketing Outcomes

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**Keywords:** *social identity boost, paradox, prototypicality, marketing outcomes*

**Description:** *This research explores the social identity boost paradox, whereby the positive social identity boost effect backfires for consumers low in cognitive social identity, resulting in lower affective social identity and subsequently lower marketing outcomes for an advertised product.*

## EXTENDED ABSTRACT

### Research Question

The studies reported here are the first to explore the social identity boost effect, by examining the process through which social identity boost impacts marketing outcomes (attitude and purchase intention) by ways of affective social identity, as well as a relevant boundary condition (boost prototypicality fit). The research further explores the social identity boost paradox, whereby the positive social identity boost effect backfires for consumers low in cognitive social identity, resulting in lower affective social identity and subsequently lower marketing outcomes for an advertised product.

### Method and Data

Four experimental studies are used to examine the social identity boost paradox across different types of social groups (an Academic School and the female gender) using different operationalizations of the social identity boost (press release and advert) in different countries (US and UK).

### Summary of Findings

Study 1 (n = 129) finds support for the social identity boost paradox. Respondents high in cognitive social identity reported a more favorable attitude and purchase intention following the boost, mediated by affective social identity. In contrast, respondents low in cognitive social identity reported lower attitude and purchase intention following the boost. Study 2 (n = 100) tests the psychological process driving the social identity boost paradox, namely that respondents high in cognitive social identity assimilate to the boost,

whereas respondents low in cognitive social identity contrast away from it. Study 3 (n = 79) shows that social identity boost is a viable option for products lacking prior association with the boosted social group. This study further finds that the proposed social identity boost paradox occurs only if the social identity boost is designed in such a way as to correspond to consumers' understanding of the group's prototypes (referred to as boost prototypicality fit). Study 4 (n = 200) replicates this finding by manipulating the prototypicality of a boost targeting female consumers' gender. The social identity boost paradox is only present when the boost is perceived as prototypical of women.

### Key Contributions

This is the first research to test the social identity boost and to explore conditions under which positive group-related information backfires (social identity boost paradox). This effect carries onto consumers' evaluation of products with and without prior association with the boosted social group. Our research goes beyond prior work which only evidences the existence of group emotions but not their formation or boundary conditions. By testing the mediating role of affective social identity, we also evidence the identity association principle proposed by Reed II et al. (2012) and show that the affective transfer also occurs for products not previously linked to the social group. Our research contributes to the social identity literature by drawing on the social comparison literature. Past research has shown that individuals tend to assimilate to their ingroup and contrast away from their

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outgroup. However, our findings suggest that this effect is far more nuanced, as cognitive social identity moderates how individuals process the social identity boost. Finally, past research focused on the persuasiveness and likeability of prototypical leaders. In contrast, we evidence potential

negative consequences regarding how group members feel about their groups when confronted with purported prototypical group members against whom they contrast away.

*References are available on request.*



# The Generative Mechanisms of Network Resources: An Empirical Investigation

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*Leila Alinaghian, Cranfield University*

**Keywords:** *dynamic capabilities, network resources, network behavior, network capability*

**Description:** *This paper unravels the black box of network resources by qualitatively investigating the mechanisms (i.e., valuability, visibility and transferability) through which these resources contribute to firms' dynamic capabilities.*

## EXTENDED ABSTRACT

### Research Question

Network resources (NRs) are conceptualized as assets that belong to or are deployed by actors with whom a firm is connected through direct or indirect relationships (Gulati, 1999; Lavie, 2006). The importance of NRs in shaping the firms' operational and strategic performances has been empirically demonstrated (e.g., Srivastava et al., 2015). Whilst these effects can be explained both from the perspectives of the embedded firms and the network actors, most investigations have revolved around how firms capture value from NRs rather than how NRs can potentially create value for firms (e.g., Mitrega et al., 2012). However, inherent properties of NRs as well as routines and behavior of actors owning or controlling the NRs can also influence the extent to which the embedded firm may benefit from these resources. Additionally, whilst scholars have highlighted the role of NRs in shaping a firms' competitive advantage (e.g., Casanueva et al., 2013), these studies are inadequate to fully explain, or capture, the nuances of dynamic capabilities (DCs) as a source of competitive advantage (Helfat et al., 2007). Thus, this study aims to unravel the black box of NRs by investigating the generative mechanisms through which these resources contribute to firms' DCs.

### Method and Data

An inductive theory building approach using embedded, multiple cases is adopted (Eisenhardt, 1989). A theoretical sampling approach (e.g., Eisenhardt, 1989) was used to select those information-rich cases (Hillebrand et al., 2001) that are particularly suitable for illuminating and extending

the properties of NRs as well as conditions along which they influence firms' DCs. From a selection of firms with a high level of survivability, compound growth rate, and number of patents, six firms agreed to participate in the study. The selected firms included three major global pharmaceutical and medical device manufactures, one aircraft power systems manufacturer, and two multinational producers of fast moving consumer goods. Specifically, 11 product categories across the six firms were included in the study.

Semistructured interviews constituted the main data source in the case organizations. Respondents were selected from middle and senior management levels within supply chain and new product development (NPD) roles. 62.5 hours interviews were performed. Coding, as a crucial aspect of data analysis, was conducted following a two-step coding process suggested by Glaser (1978), namely line-by-line substantive coding (open) and theoretical coding.

### Summary of Findings

The findings revealed that NRs affect firms' DCs through three generative mechanisms of *valuability*, *visibility*, and *transferability* (i.e., the extent to which NRs are valuable, visible and transferable to the embedded firm). Specifically, the results suggested that these mechanisms are shaped not only through the inherent *characteristics* of NRs (e.g., the novelty of a technology owned by a supplier) but also through the *behavior of network actors* toward these resources (e.g., R&D investment decisions) and the *routines* they use to develop and/or deploy these resources (e.g., existing R&D processes).

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NR valuability comprises of five dimensions: utility, bilateral utility, multilateral utility, rarity and reliability. NRs created utility when they inherently improved the efficiency and effectiveness of the embedded firm's DCs. Rarity was observed where an NR was not easily available to and/or acquirable by the network members. Additionally, reliability was identified in instances where the utility and rarity of an NR was guaranteed over time. NR visibility consists of two dimensions: exposure and exposure frequency. The findings revealed that NRs' level of exposure to the firm and the frequencies with which they are exposed facilitate the embedded firm's DC. NR transferability has three dimensions of access, proximity, and modularity.

### **Key Contributions**

First, our research identifies three generative mechanisms of valuability, visibility, and transferability. It provides empirical evidence for Gulati et al.'s (2011) conceptual endeavors to explain the value inherent in the firms' NRs. Specifically, the paper develops Gulati et al.'s (2011) framework by (1) identifying the mechanisms that influence the embedded firms regardless of their capabilities and behavior, and

(2) exploring new dimensions to the mechanisms driving the effect of NRs on DCs.

Second, we highlight the role of network actors' behavior and routines in creating potential benefits for the embedded firm. This complements those studies that focus on the embedded firm's capabilities and behavior (e.g., Huggins, 2010; Thornton et al., 2015) or network position (Gulati et al., 2011) in capturing value from NRs.

Third, we identify visibility and transferability as generative mechanisms dealing with identification and movement of NRs. This extends the contributions of existing studies predominantly focusing on the valuability of NRs (e.g., Srivastava et al., 2015).

Finally, we contribute to the literature investigating DCs by illustrating how NRs influence them. Indeed, the research expands the DC literature that has mainly focused on firms' resources as determinants of DCs (e.g., Vesalainen and Hakala, 2014) by further exploring NRs mechanisms.

*References are available on request.*

# Regional Clustering, Matching Governance Mechanisms, and Performance Implications in Franchising

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**Keywords:** *regional clustering, franchising, contractual governance, relational governance, financial performance*

## EXTENDED ABSTRACT

With a rapid growth of franchised outlets, regional clustering has been frequently employed by franchisors in expansion of franchise system. Building upon emerging literature on regional clustering and agency theory, this research aims to examine the financial impact of regional clustering of franchised outlets, in joint consideration with alternative governance mechanisms employed between franchisors and franchisees and among franchisees themselves. We first have a baseline hypothesis that there is an inverted U-shape relationship between regional clustering of franchised outlets and franchisors' financial performance. We then proceed to propose that such relationship varies along with the change in the levels of franchisors' use of contract, franchisor-franchisee relational governance, and franchisee-franchisee relational governance. It is stronger (steeper) when contract completeness is high, as contract completeness facilitates franchisor monitoring while creates more conflict between franchisor and franchisee in the later cannibalization stage.

Similarly, franchisee-franchisee relational governance intensifies the inverted U-shape relationship as it serves as a complement to franchisor monitoring while it may result in collusion among franchisees, which makes it harder for franchisors to monitor franchisees. Different from the above two governance mechanism, franchisor-franchisee relational governance strengthens the positive effect while relaxes the negative effect as it makes franchisees' free-riding behaviors more likely to be detected, which further reduces monitoring costs, and creates indirect local knowledge transfer even in the cannibalization stage. Our empirical analysis of 116 franchisors for a nine-year period (2003–2011) enables us to offer recommendations to franchisors with respect to the optimal regional clustering configuration of franchised outlets and the matching governance mechanisms to be employed in different expansion stages.

*References are available on request.*

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# Double-Edged Effects of Incentives in Distribution Channels

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**Keywords:** *incentives, opportunism, distribution channel, interorganizational relationship management*

**Description:** *This study investigates the double-edged effects of incentives in managing a distribution network.*

## EXTENDED ABSTRACT

### Research Question

Economics has provided powerful theoretical tools to predict the ability of incentives to illicit positive behavioral changes. Previous research in marketing channels predominantly follows this line of reasoning and advocates the use of incentives to deter channel members' opportunism and achieve relational outcomes. However, what are the affective processes through which incentives change a firm's behavior remains largely unexplored. In this study, we argue that firms that receive incentives will develop evaluations and attitudes both in relation to the focal relationship and in comparison with peer distributors in the network. Specifically, distributors will increase relationship satisfaction which reduces future opportunism as predicted by economics. However, they will also conduct social comparison vis-à-vis other distributors who share the same supplier in the network and experience enhanced feelings of superiority. Such changed self-evaluation will serve as a double-edged sword, that is, at a lower level of perceived superiority, it curtails opportunism; but when perceived superiority exceeds a certain point, it induces opportunism. In sum, we seek to address two questions through this study: (1) What are the affective processes that incentives generate in downstream channel members; and (2) How are these affects influence their relationship behavior and outcomes.

### Method and Data

Given the complication of incentive schemes among different industries, and to make the level of incentives comparable, we focus on a single supplier's distribution channel network to collect our data. We employ a longitudinal field study design in which we measure the impacts of incentives

on the two attitudes (i.e. relationship satisfaction and perceived superiority) in Time 1 and the distributor's opportunistic behavior in Time 2. The longitudinal design provides advantages over cross-sectional surveys in terms of reducing common method variance bias and enhancing causal inference.

### Key Contributions

Our study advances the literature on incentives from primarily focusing on intrafirm compensation to the context of inter-organizational governance. It also deviates from previous literature that primarily focuses on outcomes such as quit and job performance. Our emphasis on distributors' attitudinal changes enables us to unbundle more nuances effects of incentives on a key organizational behavior—opportunism. While confirming the satisfaction effect of incentives, our study demonstrates the double-edged effects of perceived superiority. Managerially, by delineating the affective processes of incentives, this study advances our knowledge about how to use incentives to govern relationships in a distribution channel. Research findings provide implications for firms to better design and implement incentive schemes so as to achieve greater channel efficiency and effectiveness, enhancing firms' overall competitiveness.

### Summary of Findings

Our initial analysis of the data shows that the excess use of incentives (i.e. the part that is not explained by distributor market performance) increases distributor satisfaction which in turn inhibits its opportunistic behavior. This bright side of incentive effects is consistent with the prediction of the economics theory. However, the excess use of incentives also

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provokes a heightened sense of superiority from the focal distributor when it conducts social comparison with peers in the distribution network of the same supplier. This feeling of superiority exhibits a curvilinear (U-shaped) effect on opportunism, such that it has (a) a negative linear effect and (b) a positive quadratic effect on opportunism. The finding suggests that incentives can have unintended influence in

affecting the distributor's self-evaluation as compared with others. Too high a sense of superiority can back fire on the focal relationship by inducing opportunism and undermining performance. A moderate level of sense of superiority is optimal for enhancing the supplier-distributor relationship.

*References are available on request.*

# When It Is Good to Be Vague: The Strategic Use of Contract Ambiguity in Franchise Relationship Management

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**Keywords:** *contract ambiguity, litigation, socialization, franchising, power asymmetry*

## EXTENDED ABSTRACT

Contracts seldom exhaust all possible states in a verifiable way. Often times, they are simple and vague. Although the role of contract has been well studied in economics, business and legal literature, little has been done on why firms use vague terms when drafting contracts and how the vagueness affects outcomes of the contractual relationship. Building upon the literature of interorganizational governance and legal studies on vague contracts, this study aims to examine the mechanisms through which contract ambiguity affect the contractual relationship. We leverage the context of franchise, which is prone to frequent disputes while the franchise contract often remains consistent across franchisee and over time. Thus we can assume that the ambiguity associated with franchise contracts may be calculated strategic move of franchisors. Specifically, we examine the factors that lead fran-

chisors to strategically craft an ambiguous contract and how the strategic use of contract ambiguity affects franchisor- and franchisee-initiated litigation, respectively. We further investigate how other interorganizational governance mechanisms, namely, franchisor–franchisee socialization and franchisee–franchisee socialization, moderate these relationships. We create a unique dataset by combining multiple data sources and examine the antecedents and consequences of franchisor- and franchisee-initiated litigation over a 21-year window across 336 franchisors. Our results allow us to offer practical advice to franchisors on how to avoid unnecessary litigation through strategically utilizing vague terms in contract design and employing appropriate governance mechanisms.

*References are available on request.*

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# Shaking Hands but Not Sharing Gains: How Relationships Facilitate Dynamic Marketing Capabilities Development in an Emerging Economy

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**Keywords:** *dynamic marketing capabilities (DMCs), entrepreneurial orientation, horizontal relationship quality, innovation performance, vertical relationship quality*

## EXTENDED ABSTRACT

### Research Questions

1. How can firms, especially those operating overseas, build strong DMCs to improve innovation performance?
2. What are the relative effects of relationship quality (vertical vs. horizontal) on DMCs?
3. What are the moderating effects of entrepreneurial orientation on the above effect?

### Method and Data

We collected primary data through a cross-sectional survey in China. In testing the hypothesized relationships, we focused on the B2B context and contacted managers in three provinces in China (Fujian, Guangdong, and Zhejiang). We collected a total of 225 completed questionnaires. The hypothesized relationships were then tested by using hierarchical multiple regression analysis.

### Summary of Findings

This study develops a framework for exploring the mechanisms of building strong DMCs from both external (inter-organizational relationships) and internal (entrepreneurial orientation) perspectives. Using survey data from firms in China, which offers an important yet idiosyncratic context

to examine the value of relationship, the authors find that both vertical and horizontal relationship can facilitate to develop DMCs. Moreover, the impact of vertical relationship quality is stronger than that of horizontal relationship quality for domestic firms but weaker for foreign firms, because foreign and domestic firms have different resource dependence on partners. In addition, entrepreneurial orientation influences firms' willingness and ability to leverage the benefits from relationships, thus strengthening the impact of vertical relationships but weakening that of horizontal relationships.

### Key Contributions

This study contributes to the literature in the following aspects. First, building and extending on DMCs studies and resource dependence theory (RDT) (Pfeffer and Salancik 1978), we propose a theoretical framework for developing DMCs in both vertical and horizontal relationship quality perspectives, which provide a complex and holistic pattern of competitive coordination. Second, this study also extends the literature on interorganizational relationship to DMCs studies in the international business context. This study empirically show that the relative importance of vertical and horizontal relationship in building DMCs is different between foreign and domestic firms. Finally, this

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study reveals potential constraints of using interorganizational relationships to build firm DMCs. In particular, our results demonstrate that entrepreneurial orientation strengthens the positive effects of vertical relationships on

DMCs development but weakens the positive effects of horizontal relationships.

*References are available on request.*

# Identification Transfer in a Service Alliance

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## EXTENDED ABSTRACT

### Research Question

Customer–company identification (CCI), wherein a company represents one or more of a customers’ social identities, represents one of the strongest motivations for enduring customer–company relationships (Bhattacharya and Sen 2003). As would be expected for such a psychological state, the creation of CCI can be an arduous process of communicating a company’s identity consistently through multiple communication channels (Bhattacharya and Sen 2003). However, there may be another way to create CCI. Namely, by identification transfer wherein some event causes a customer’s CCI with one company to favorably impact that customer’s CCI with another company. We contend that a service alliance, in which service companies combine offerings to provide a seamless service experience (Bourdeau, Cronin Jr, and Voorhees 2007), allows for identification transfer from one alliance partner to the other. Though we know that service alliances combine the functional benefits from each organization, given the difficulty of establishing a strong organizational identity and creating CCI, the following question begs to be answered: do these service alliances have a symbolic benefit that allows CCI with one organization to spillover into CCI with another organization?

### Method and Data

An experiment was conducted in which a service alliance could be manipulated and identification transfer could be measured in such a way as to avoid demand artifacts. Similar to research on organizational and group mergers (Mottola et al. 1997; van Leeuwen, van Knippenberg, and Ellemers 2003), identification was operationalized as the correspondence between two organizations’ CCI scores as compared to an alliance versus a nonalliance manipulation. The context of the service alliance was an online retailer and a pack-

age delivery company team up. Alliance was manipulated at three levels such that there was no alliance, an inclusive alliance in which other companies took part, and an exclusive alliance in which only a single retailer and package delivery company took part. CCI was measured for the retailer before the alliance manipulation and for the package delivery company both before and after the alliance manipulation. Several controls were measured including a subject’s tendency for identification, self-congruity with the package delivery company, and perceived identity overlap between the alliance partners. A total of 631 U.S. residents were recruited through Amazon.com’s Mechanical Turk (MTurk) to take part in the study.

### Summary of Findings

The results suggest that an exclusive service alliance enables identification transfer from the retailer to the package delivery company but an inclusive alliance does not enable identification transfer. Surprisingly, we find that identification transfer is only observable when the partnering companies are seen as low in identity overlap, or the extent the organizations are seen as having similar identities. These results suggest that self-categorization theory and optimal distinctiveness theory influence identification transfer across service alliances.

### Key Contributions

Identification theory is extended by the examination of a new phenomenon, identification transfer across companies. This phenomenon, whereby CCI with one company influences CCI with another company, suggests CCI can be susceptible to how organizations interact with each other. Interestingly, nearly all research on establishing CCI has not looked beyond the customer–company relationship. Thus,

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the current research takes an important step in starting to look at how company–company relationships affect CCI. Research on service alliances is furthered by revealing that CCI can transfer across companies in a service alliance. This transfer effect amounts to a symbolic spillover effect. Previous research suggests spillover effects for service alliances (Bourdeau, Cronin, and Voorhees 2007) and brand alliances

(Simonin and Ruth 1998) but this research has typically focused on functional attributes and attitudes. The current research, then, extends this research by evidencing spillover effects for identity-based connections and psychological states.

*References are available on request.*

# A Fresh Look at Familiar Constructs: Power-Based Behaviors and Relational Satisfaction

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**Keywords:** *buyer–supplier relationships, power, dependence, channels, supply chain management*

**Description:** *Although the sources of a firm's power in interorganizational relationships have been studied extensively, we suggest that fresh perspectives, accompanied by revised terminology, offers a platform for improved understanding of how partners engage with one another.*

## EXTENDED ABSTRACT

### Research Question

The extensive discourse on power has persistently revolved around the power construct in terms of its sources, bases, and forms (Benton and Maloni, 2005; Cowan, Paswan, and Van Steenburg, 2015; Gaski, 1984; Leonidou, Talias, and Leonidou, 2008; Turker, 2014). Over time, the language has become quite familiar; well-worn terms include coercive and non-coercive power forms (Hunt and Nevin 1974) and exercised and unexercised power sources (Gaski and Nevin 1985), with relative dependence of parties frequently part of the discourse. The effects of power usage on various outcomes is usually seen as positive when noncoercive power is applied and negative when coercive power is applied.

Nearly a half century of power literature provides crucial understandings of the means used by partners to influence and/or react to one another, along with outcomes of various power-based actions. It could be felt that power research has run its course, with little remaining to be investigated. Yet, recent calls for greater understanding from Bastl et al. (2013), Nyaga et al. (2013), and Sturm and Antonakis (2015) speak of the importance of gaining a greater understanding of this pervasive and complex phenomenon affecting inter-organizational relationships, with Sturm and Antonakis

specifically arguing that power's consequences on actors' behaviors and social interactions are not fully understood.

Given this importance, what remains is determining how to best advance the discourse. In this regard, the power phenomenon can be discussed at the dyadic, triadic, or at the network level (we focus on the dyad). There is also the question of language/terms. We have given considerable reflection, accompanied by numerous conversations with suppliers and buyers, to the traditional terms used in power research. This led us to question whether the terms used in studying the phenomenon are sufficient for advancing the discourse in the coming years. The result has been for us to introduce three power-based behaviors, with dominance, egalitarian, and submissive behaviors viewed as three interconnected yet distinct power-based interorganizational behavioral archetypes that partners apply to each other as means of expressing and responding to power. The terms have overlaps with the coercive—noncoercive discourse and, as such, are a comfortable addition to the power language. Meanwhile, the new terms provide a language that suppliers and buyers acknowledge feeling when engaged with partner relationships.

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## Key Contributions

Our contribution to this vast literature comes from the convergence of our familiarity with the literature and our extensive engagement with various supply chain partners. It has led us to offer a fresh explanation of business partners' power-based behaviors by adopting the terms *dominance*, *egalitarianism*, and *submissiveness* and their potential effects on relational satisfaction while accounting for both partner firms' perspectives. As our focal outcome, relational satisfaction is presented as a positive affective state shared among partners (Frazier, 1983). The relevance of relational satisfaction is apparent as it affects interfirm functioning in meeting

customer needs (Benton and Maloni, 2005). In sum, we contribute to the literature on interorganizational relationships by introducing the three power-based behaviors and showing their relationship to relational satisfaction through propositions. We examine interfirm power as an underlying attribute of interorganizational behavior. By doing so, we seek to advance the literature by describing the power-based behavioral choices available to partners in business dyads and explaining behaviors and conditions through which firms may use power in expected or unexpected ways.

*References are available on request.*

# Key Customer Relationship Effectiveness: When Do Relational Resources Contribute to Firms' Competitive Advantage?

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*Nina Stuebiger, Justus Liebig University Giessen*

**Keywords:** *relationship effectiveness, resource advantage theory, firm–customer relationship, resource complementarity, asset specificity*

**Description:** *We use resource advantage theory to develop a model of the relationships between two important relational resources (i.e., resource complementarity and asset specificity) and relationship effectiveness, which includes effects on firms' market and financial performance and possible moderating effects of firm strategy (i.e., low cost and differentiation) and organizational compatibility.*

## EXTENDED ABSTRACT

### Research Question

Our research addresses the following research question: What relational resources make firm–customer relationships effective and contribute to superior firm performance? And when? Scholars and managers widely agree that firms benefit from customer relationships (e.g., Ulaga and Eggert 2006). Such relationships have even been suggested as locus of competitive advantage (Dyer and Singh 1998) and making resources available to firms for the purpose of generating superior market positions and financial performance for the firms (Hunt 1997). While firms may use relationships with customers to gain competitive advantage (Jap 1999), little is known about what makes firm–customer relationships effective and contribute to superior firm performance. As a recent study showed, even strategic relationships are almost as likely to fail as to succeed (The CMO Council 2014).

Based on resource advantage theory, we develop a model of the relationships among two important relational resources—resource complementarity and asset specificity—and relationship effectiveness, which includes the effectiveness effects on firms' market and financial performance as well as firms' strategy (i.e., low cost strategy and differentiation strategy) and organizational compatibility as potential moderators.

### Method and Data

We tested our hypotheses with objective data and survey data from 316 senior managers responsible for key customer relationships. Appropriate key informants were identified from a random sample of business-to-business firms located in Germany, Austria, and Switzerland. Established multiitem scales were used for all the constructs in our framework, with modifications where necessary to better fit the study's context. We estimated a confirmatory factor model to analyze the reliability and validity of our measures. For all measurement scales, item reliabilities, Cronbach's alpha values, composite reliability, and average variance extracted exceed the recommended thresholds. The criterion proposed by Fornell and Larcker (1981) and the Heterotrait-Monotrait (HTMT) ratio for each pair of constructs on the basis of item correlation (Henseler, Ringle, and Sarstedt 2015) provide strong evidence for discriminant validity.

We used regression analysis and moderated regression to test our hypotheses. We checked for possible violations of the methods' assumptions, but did not identify noteworthy violations for the estimated models. To probe further into the nature of the moderator effects, we conducted post hoc analyses of simple slopes (Aiken and West 1991).

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## Summary of Findings

Overall, this research provided profound insights into antecedents, consequences, and moderators of firms' relationship effectiveness. In particular, we find a positive relationship to relationship effectiveness for resource complementarity, but not for asset specificity. Low strategic focus and low organizational compatibility eliminate beneficial outcomes of resource complementarity. While firm investments in relationship-specific assets increase relationship effectiveness when the firms do not pursue a low cost strategy and organizational compatibility is high, such investments become dysfunctional when firms pursue a low cost strategy and organizational compatibility is low. Although not hypothesized, our results further show a positive relationship between relationship effectiveness and our objective market performance measure and a positive relationship between our objective measures of market performance and financial performance, in support of the validity of our findings.

## Key Contributions

Our research is the first to show the circumstances under which relational resources contribute to relationship effectiveness and firms' competitive advantage. Extant research has suggested that relational costs associated with the development and maintenance of customer relationships may exceed the perceived relational benefits (e.g., Anderson and

Jap 2005). Our research supports this view by providing evidence for contingencies which eliminate beneficial outcomes of resource complementarity and make investments in relationship-specific assets become dysfunctional for relationship effectiveness. In addition, we find that firm-customer relationship effectiveness contributes to firms' superior market and financial performance. Overall, our study shows that resource advantage theory is useful for developing a better understanding of the role relational resources play for gaining competitive advantage.

Managerially, our research shows that firms' need to engage in relationships in order to access and generate resources that are relevant for firms' superior performance. While availability of complimentary resources and investments in idiosyncratic assets *can* be sources of superior firm performance, these relational resources are *not sufficient* for relationship effectiveness and resulting performance outcomes. Investments in resource complementarity may only pay off when firms adopt a strong strategic focus, be it low cost or differentiation, and relationship partners are sufficiently different.

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*References are available on request.*



# Context Management: The Effects of Different Dimensions of Context-Based Messaging on Consumer Engagement

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**Keywords:** *context advertising, sports marketing, consumer engagement, digital marketing*

## EXTENDED ABSTRACT

### Research Question

The practice of moment-based marketing messages (i.e., messages related to current moments or events happening) has grown significantly during the past several years, along with the rise of brands' marketing activities on social media. As one of those practices, companies carry out significant investments to develop and place TV advertising related to current moments or events in order to capture consumer attention and promote their brands (e.g., consumer product commercials related to the Rio 2016 Olympics aired during the event.) In this study, we propose how different context management strategies that advertisers can use to communicate their messages and conduct an empirical test of their effect on independent measures of consumer engagement.

### Method and Data

For analysis, we collected data from three different sources. First, we worked with an advertising agency to use a unique database of TV advertising, consumer viewership and consumer engagement activities in social media (e.g., search activities and sentiments) for TV advertisements aired during the Rio 2016 Olympics and the 2016 NCAA. Second, we asked students in marketing undergraduate and MBA classes to tag those ads. Third, additional data for those ads was collected using our own text analysis.

### Summary of Findings

We find that there are three ways that companies design context-based TV advertising. We look at three dimensions of context-based TV advertising, namely (a) *immediate*

*messaging*—messages created and deployed in close proximity to a more specific and unexpected moment or event (e.g., a moment of winning a gold medal at the Olympics), (b) *direct messaging*—messages that use items that are directly relevant to special moments or events (e.g., using athletes at the Olympics to endorse products in a message), and (c) *indirect messaging*—messages that use items that are indirectly relevant to special moments or events (e.g., kids playing sport games in a message during the Olympics). Lastly, we compare the effects with messages that choose not to relate to a given context.

We propose that among the three dimensions of context-based TV advertising, immediate messaging leads to the lowest engagement in terms of consumers' following online activities. While previous research findings on the spillover effects (e.g., Khouaja and Bouslama, 2011) suggest that positive evaluations of a context also lead to positive evaluations of the ads, higher level of involvement in a context is detrimental to ads effectiveness (e.g., Malthous and Calder, 2010; Levy and Nebenzhal, 2006). Since immediate messaging is related to a moment when consumers' context involvement and arousal level are the highest among the three dimensions of context-based messaging, it takes consumers' attentions from subsequent ads and therefore decreases following online activities.

We also look at the effects of congruity between message and the context in theme and moods and suggest that higher congruity in indirect messaging helps increasing consumer

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engagement while incongruity in direct messaging improves consumer engagement by creating moderate level of incongruity and therefore increasing consumer motivations to process the information. Lastly, we further explore several content and brand characteristics that improve the effectiveness of those context-based TV advertising.

### **Key Contributions**

While the literature offers strong support for the value of context-based messaging to advertisers, less attention has been given to the different strategies that marketers can follow to communicate within a given context; a decision we name “context management.” As a result, we contribute to the academic literature by adding a new dimension of analysis to the study of context management and its effects on consumer

engagement in social media. Specifically, we aim to make the following contributions to the academic literature. First, we examine different dimensions of context-based advertising—immediate, direct, and indirect—and study how they have different impacts on consumer engagement by looking at consumer activities in online. Second, we explore how brands can design messages more effectively by exploring factors that could improve the impact of those context-based TV advertisements. Given that expenses in TV advertising are still one of the biggest in marketing and companies put great amount of effort and time in designing content for TV placements, it is critical to understand how consumer engagement varies by type of context-based TV advertising.

*References are available on request.*

# Strategic Customer Engagement: A Decision-Making Framework

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*Reto Felix, University of Texas Rio Grande Valley*

**Keywords:** *customer engagement, appropriation, grounded theory, in-depth interviews*

**Description:** *Using a grounded theory approach, this research suggests a strategic customer engagement (CE) decision making framework with the five dimensions of CE conceptualization, CE process, CE scope, CE latitude, and CE domain.*

## EXTENDED ABSTRACT

### Research Question

Previous research on customer engagement (CE) has made important contributions to marketing theory and practice (Brodie et al. 2011; Calder, Isaac, and Malthouse 2016; Hollebeek 2011a; Mollen and Wilson 2010; van Doorn et al. 2010; Vivek et al. 2014), but has not investigated the concept from a strategic, firm-based view. The current research addresses these gaps. Specifically, the research questions for this research are (1) how can the current knowledge regarding customer engagement elevated to a strategic and integrative CE decision making framework that advances marketing theory and is relevant for marketing practitioners, and (2) how can empirical, company-informed findings based on grounded theory (i.e., the voice of the firm) be integrated into this framework?

### Method and Data

Due to the emerging state of the customer engagement literature (Hollebeek, Conduit, and Brodie 2016), the current research used a qualitative, discovery-oriented research perspective (Glaser and Strauss, 1999) able to provide contextual sensitivity (Bonoma 1985). The current research employed a two-stage research design. In a first step, managers from 34 firms belonging to consumer goods, retail, service, and industrial sectors provided their perspectives and practices of customer engagement based on semistructured interviews. The second stage of the study was designed to gain additional depth by conducting a total of seven unstructured interviews (Fontana and Frey 2005) with managers from two consumer goods companies. All interviews were audiotaped and transcribed subsequently, resulting in

272 pages of single-spaced, verbatim text. The qualitative research approach employed in this study entailed an iterative process of oscillating between data and theory (Corbin and Strauss 2015). Theory building incorporated suggestions from thematic analysis (Boyatzis 1998) and was based on a three-stage data coding process using open, axial, and selective coding (Pratt, Rockmann, and Kaufmann 2006). Trustworthiness (i.e., quality standards that ensure validity in qualitative research) was achieved through several procedures following Creswell and Miller (2000).

### Summary of Findings

The strategic CE framework embraces five dimensions with their respective endpoints:

*CE Conceptualization* is the starting point of the CE framework. One option is to concentrate on the behavioral manifestations of CE, such as referrals or tangible feedback from customers. The opposite endpoint of this continuum is to focus on CE as a psychological state.

*CE Process* refers to how engagement develops and the level of control companies exert on the engagement process. Assimilation represents a process that is initiated by the firm and absorbed by the customer without major modifications. Appropriation stands for an engagement process that is controlled, transformed, and/or reconstructed by the customer rather than the firm.

*CE Scope* addresses the question of who gets engaged with the brand or firm. Companies can decide to focus on

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the final customer (i.e., the consumer) as the engagement target. On the other hand, engagement can also be generated for the direct customer, such as retailers or other intermediaries.

*CE Latitude* discusses the question if customer engagement should be focused on existing customers (i.e., customers who have realized purchases with the company), or if value can be created by engaging potential customers.

Finally, *CE Domain* distinguishes between customer engagement in online environments, such as social media platforms, and offline contexts, such as engagement in traditional, physical surroundings.

## **Key Contributions**

Based on a grounded theory approach, the current research contributes to marketing theory and practice by (1) presenting a strategic and integrative decision making framework of customer engagement that is informed by 41 managers from 34 companies, and (2) providing recommendations to marketing managers regarding the positioning on each of the five dimensions of the framework. The framework advances marketing theory by providing a company-informed, strategic perspective on customer engagement and serves practitioner needs by delineating important decisions marketing managers should consider when defining their CE strategy.

*References are available on request.*

# A Resource-Investment-Based Analysis About Customer Engagement Behaviors

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**Keywords:** *customer engagement behavior, resource investment, service-dominant (S-D) logic, psychological ownership theory, conservation of resources (COR) theory*

**Description:** *This research, through the lens of customer resource investment, provides a theoretical framework that consists of the common antecedents and consequences of four major types of customer engagement behaviors (CEBs).*

## EXTENDED ABSTRACT

### Research Question

Despite recent advances in engagement research, what is missing is a comprehensive framework that encapsulates the wide gamut of customer engagement behaviors (CEBs) and their underlying theoretical mechanisms (Hollebeek, Glynn, and Brodie 2014). To mitigate this gap, the current research advances a customer-resource-based view to understanding CEBs. It addresses a series of questions, such as characteristics and forms of CEBs, and as well the antecedents and consequences of CEBs.

### Summary of Findings

This research starts with a cross-disciplinary literature review, and identifies resource investment as a common thread in various engagement forms. Viewing through the lens of customer resource investment, this research provides a working definition of CEBs, builds a comprehensive taxonomy based on two dimensions, resource type and exchange focus, and delineates four distinct theoretical mechanisms underlying the motivations behind differing types of CEBs. Building on the conservation of resources (COR) theory (Hobfoll 1989) and other resources-related theories, this research builds a conceptual framework with attendant propositions deriving common antecedents (e.g., perceived justice, perceived reciprocity, goal value, and goal alignment) and consequences

(e.g., social identity and perceived control) of specific types of CEBs.

### Key Contributions

This research highlights the crucial role of customer resource investment in understanding engagement activities, and provides an organizing framework from four theoretical perspectives. This framework helps identify possible antecedents and consequences of CEBs. Engagement scholars, such as van Doorn et al. (2010) and Hollebeek, Glynn, and Brodie (2014), call for more in-depth investigation of CEBs. In response to this clarion call, this research adds more conceptual breadth and depth into this important research stream. In practice, companies are facing diversified CEBs and need to find ways to tailor their strategies to these customers' engagement activities. An important question is how to maximize benefits and avoid potential risks when these companies engage customers or motivate customers to voluntarily engage. Understanding resource investment from the customer side may offer some critical clues for this question. Consequently, companies can furnish resources that customers expect, or assist in converting customers' resources by providing facilitating resources such as platforms and technologies.

*References are available on request.*

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# The Effect of Customers' Knowledge Provision During NPD on Their Positive WOM Intention of New Products

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**Keywords:** *customer knowledge provision, feedback, advice, positive WOM, new product development*

**Description:** *This research proposes a conceptual model, examining the relationships between customer knowledge provision (CKP), self-related needs, and positive WOM intention.*

## EXTENDED ABSTRACT

### Research Question

This research deals with how customers' knowledge provision behavior affects their positive word-of-mouth (WOM) intention. Customers contribute their knowledge to companies by providing *feedback* or *advice*. In other words, feedback and advice are two types of customer knowledge provision (CKP).

### Summary of Findings

This research on CKP discusses the conceptual foundations of two types of knowledge: needs- versus solutions-related knowledge, which can be implemented by feedback- versus advice-giving, respectively. Due to different characteristics (e.g., tacitness, transferability, roles of customers), feedback- versus advice-giving may activate different self-related needs (i.e., needs for uniqueness vs. self-enhancement), which further influence customers' positive WOM intention. Specifically, giving feedback (vs. advice) on new products may trigger customers' need for uniqueness, which may lead customers to be less likely to have positive WOM intention; while giving advice (vs. feedback) on new products may trigger customers' needs for self-enhancement, which may lead customers to be more likely to possess positive WOM intention. These differential effects may be moderated by two factors: companies' response to customers who provide advice or service, and salience of other customers as knowledge providers. When companies implement (vs. simply acknowledge vs. not respond to) the customer advice, customers may

have higher positive WOM intention. When other advice providers are present (vs. absent), customers may have lower positive WOM intention. In contrast, when other feedback providers are present (vs. absent), customers may have higher positive WOM intention.

### Key Contributions

The research on CKP draws and enlarges the research scope of feedback and advice from interpersonal context to person-company context. Drawing from the interpersonal support literature (e.g., Ackerman and Gross 2010; Ashford, Blatt, and Walle 2003; Bonaccio and Dalal 2006), this research distinguishes between customer feedback and advice, and identifies different mechanisms underlying these two types of knowledge provision behaviors. Additionally, this research on CKP specifically studies "customers-as-givers" of feedback and advice to companies, and the differential customer needs that feedback and advice activate. Prior research in the interpersonal context has primarily examined the motives of seeking feedback and advice, as well as the change in seekers' performance after they accept feedback and advice (c.f., Ashford, Blatt, and Walle 2003; Bonaccio and Dalal 2006). Little research addresses how giving feedback and advice influences customers as knowledge providers to companies (i.e., givers), and this research is an attempt to fill the gap.

*References are available on request.*

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# Brand Cocreation in Web 2.0: When Perceived Ability to Influence Plays a Role

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*Francisco Guzman, University of North Texas*

**Keywords:** *brand cocreation, brand perception, Web 2.0, experimental design*

**Description:** *The current research explores the propensity for consumers to engage in brand cocreation with brands they perceive as being able to be influenced or unable to be influenced.*

## EXTENDED ABSTRACT

### Research Question

What impact does consumers' perceived ability to influence a brand have on the consumers' desire to cocreate with that brand?

### Method and Data

Study one determines which brands consumers perceive as being able to influence and not being able to influence. 424 consumers (51% female) recruited through a Qualtrics panel participated in an online survey. The consumers were asked to provide the names of five brands they could influence, and five brands that they could not influence. The resulting lists of brand names was sorted by frequency, and the 25 most frequently named brands from each question were randomly listed in a subsequent survey.

A different set of 388 consumers (51% female) were presented with the list of 50 brands from the previous study. These respondents, again recruited through a Qualtrics panel, were asked to assign each brand a score of 1 to 5, with 1 being unable to influence and 5 being able to influence. The resulting list was subjected to a cluster analysis in SPSS.

The objective of study two is to determine the impact consumers' perceived ability to influence a brand has on the consumers' desire to cocreate with that brand. 170 consumers (ages 18–29, 64.7% female) participated. A 2 (prompted vs. nonprompted cocreation) x 2 (able to influence vs. unable to influence) between subjects factorial design was employed.

### Summary of Findings

The purpose of this research was to gain understanding into how consumers' perceived ability to influence a brand impacts their desire to cocreate with the brand. When taken together, the results of the hypotheses tests demonstrate the power that consumers' perceived ability to influence a brand has in terms of their willingness to engage with the brand. When a brand is actively seeking to engage in cocreation, the consumers' perceived ability to influence the brand can override a call to action from the brand, limiting the ability for cocreation to occur. Furthermore, the results of the post hoc multiple mediation model show that the perceived ability to influence a brand impacts the attitude toward the ad, which in turn impacts the purchase intention of the consumer, which in turn influences consumers' desire to engage in cocreation.

### Key Contributions

The results of this research offer new insight into consumer cocreation. Specifically, this study contributes to the current knowledge on cocreation by providing insights on: (1) when cocreation will and will not occur; (2) the serial mediation effects of the ability to influence a brand on attitude toward the ad, purchase intention, and cocreation; and (3) prompted cocreation does not necessarily have a positive outcome.

If a brand wishes to engage millennial consumers with prompted cocreation, how consumers perceive the brand is important for success. Brand managers must strive to create a perception of being open to engaging with consumers—which allows for consumers to give input and help to shape

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the brand. To create a perception of being open to engaging with consumers, a brand must be consistent and steady in the approach to prompted cocreation. Consumers should become comfortable with the idea of the brand asking for, accepting, and implementing feedback from customers. Once the brand successfully engages consumers, as previ-

ously mentioned then the attributions made about the brand will likely be associated with the perceived ability to influence, which in turn will have a positive outcome on cocreation, attitude toward the ad, and purchase intention.

*References are available on request.*

# Value Creation Through Participation in Mass Customization: Cognitive, Social, Situational, and Cultural Influences

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**Keywords:** *mass customization, customer participation, theory of planned behavior, cultural variation, value creation*

**Description:** *By integrating insights from both the theory of planned behavior and cultural orientation to form a theoretical foundation, we investigate cognitive, social, situational, and cultural determinants of customer intention to participate in mass customization, and delineate how the impact of these determinants differs across cultures.*

## EXTENDED ABSTRACT

### Research Question

While mass customization can help firms and retailers secure a competitive advantage, it fails as a value cocreation strategy when customers lack the intention to participate in the company–customer interaction process, or if customers cannot complete the actions a mass-customization process requires.

### Method and Data

Using a mixed-method approach, our empirical results not only indicate the theory of planned behavior’s applicability to mass customization, but also demonstrate how decision-making processes implied by the theory of planned behavior are contingent on cultural orientation.

### Summary of Findings

In this research’s empirical study setting, customer attitudes, subjective norms, and perceived behavioral control toward

mass-customization activities significantly predict customer intention to participate in such activities. More importantly, results demonstrate that both the relative and different impacts of cognitive (attitude) and social factors (subjective norm) on individuals’ decision-making processes are moderated by cultural differences.

### Key Contributions

This research advances the theory of planned behavior, especially in the context of mass customization, by incorporating insights from cultural variation. The discussion of this research’s findings regarding cultural variation indicates that practitioners should make decisions and base specific strategies on research geared toward a particular cultural context.

*References are available on request.*

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# Consumption as Self-Presentation: Empirical Evidence from Extreme Sports Community

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**Keywords:** *consumption, socioanalytic theory, mountain biking riders, survey*

**Description:** *Drawing on the socioanalytic theory, this research investigated the meaning of consumption in modern time, particularly seemingly unrelated person-product relationship in extreme sports community.*

## EXTENDED ABSTRACT

### Research Question

Perhaps the most unique contribution of marketing among other business disciplines may be its exceptional role contributing to the field of promoting consumption by connecting consumers to firm's products and services, and thus its financial accountability. Such an exchange relationship between firms and customers has been greatly studied in the relationship marketing literature. Although prior studies have greatly enhanced our understanding of how firms can initiate, develop, maintain, and even terminate the relationship with customers, a fundamental question that has not been answered is whether the consumption in modern time is as same as that of old time. The current research tackles this question by observing the modern consumption patterns (e.g., multichannel decision-making, use of social media, almost zero cost of information searching and sharing, and smartphone influence). In particular, our research question is to know whether meaning of consumption in modern time should be seen as self-presentation or functional problem solution.

### Method and Data

We empirically test a conceptual model that first compares two different perspectives of consumption: (1) consumption as self-presentation (e.g., communicating who you are and who you want to be regarded by others) and (2) consumption as functional problem solving (e.g., product benefits), and latter measures their impact on the relationship per-

formance separately. To test this proposed model, we collect data from extreme sports mania group, of which people tend to have high self-esteem, high cohesiveness, we have adapted or if necessary, modified existing survey items. The constructs in the propose model are emotional attachment, social-reinforcement, possession identity, perceived differentiation, community brand purchase, and relationship performance. Data from a total of 216 the mountain biking riders are used to test hypotheses proposed in our conceptual model.

### Summary of Findings

Before testing the hypotheses, we examine the goodness of fit of the measurement model by conducting the CFA analysis. Results suggest that the constructs in this model hold the conversion and discriminant validity. All six constructs have exceeded the threshold of composite reliability scores more than .70. To estimate parameters in the empirical model, SEM is used. First, the standard regression coefficient for the path from the emotional attachment to the possession identity is .579 ( $t = 6.04$ ,  $p < 0.01$ ), and thus H1 is supported. The path from the social reinforcement to the possession identity (H2) is also supported. Its standard regression coefficient is .255 ( $t = 2.55$ ,  $p < 0.01$ ). It is interesting empirical finding that the effect of the emotional attachment on the possession identity is greater than that of the social reinforcement. We reason that modern consumers may perceive more important agenda to seek for "self" or "who you are,"

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more than to avoid disapproval from others. The H3 and H4 illustrating the mediation effect of the possession identity on the community brand purchase ( $\beta = .580$ ,  $t = .8.59$ ,  $p < 0.01$ ) and relationship performance ( $\beta = .298$ ,  $t = 4.16$ ,  $p < .000$ ) both are supported. Finally, the moderation effect of the perceived differentiation on the community brand purchase and relationship performance show mixed results. H5 is not supported ( $\beta = .036$ ,  $t = 0.36$ ,  $p = 0.55$ ), but H6 is supported ( $\beta = .174$ ,  $t = 2.39$ ,  $p < 0.05$ ).

### **Key Contributions**

While the extant research on relationship marketing greatly studied in the area of B2B and/or B2C relationship, this research attempts to open our attentions to the person-product relationships in brand community. Based on the socioanalytic theory, we argue that the key driver of consumption in modern time may be our willingness to create, maintain,

and defense our fragile self. This may be able to explain why modern consumers are very hungry to connect to others in virtual community (e.g., social media).

In addition, the key contributions are as following; first, the impact of passion identity on performance variables-community brand purchase and relationship performance is stronger when the possession identity is high than when the perceived product differentiation is high. Second, these two antecedents including the emotional attachment and the social reinforcement strengthen the needs of consumers' self-presentation. Lastly, unlike our conventional wisdom, the perceived product differentiation is not significantly associated with the community brand purchase but still important for relationship performance.

*References are available on request.*

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# In Blogs We Trust: The Interplay of Blogger, Blog Post, and Campaign Characteristics on Social Media Engagement

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*Christian Hughes, University of Pittsburgh*

*Gillian Brooks, University of Oxford*

**Keywords:** *social media, homophily, blog, social influence, engagement*

**Description:** *The authors examine social network and sentiment characteristics that make sponsored bloggers more or less effective at generating WOM.*

## EXTENDED ABSTRACT

### Research Question

Sponsored blogging provides a unique opportunity for firms and practitioners to increase social media engagement through firm-generated WOM. However, little research has been done on the exact factors that drive increased social media engagement for blogs. This study aims to provide an in-depth understanding of how marketers can leverage the use of bloggers to affect success metrics on the awareness stage of the purchase funnel and help guide consumers' decision-making process.

### Method and Data

Using a dataset of blog campaigns, the authors examine three types of drivers—blogger characteristics, blog characteristics (e.g., the sentiment conveyed), and campaign characteristics—and their interplay to determine the “success” of a blog post. Blog post success is measured through two dimensions of social media engagement: Facebook response and blog comments. The authors use zero-inflated Poisson models to model each dimension of social media engagement.

### Summary of Findings

Overall, they find that blogger network size, blogger–follower similarity, follower homogeneity, and sentiment dimensions play important roles in strengthening social media engagement.

Importantly, however, follower homogeneity has a non-linear impact: at very high levels, follower homogeneity

may *lower* social media engagement when combined with high levels of blogger–follower similarity. This points to potential negative consequences of excessive network homogeneity and provides some evidence for the “optimal homophily” argument.

Further, they find that creative and boring blog posts detract from social media engagement and that relevant blog posts strengthen social media engagement.

### Key Contributions

This research can inform business practice in selecting and utilizing bloggers to generate online WOM and increase engagement. Current practice in the social media and blogging industry is to reimburse bloggers according to the size of their follower network. These findings suggest that follower network size is not the only important factor in driving engagement. Blogger–follower similarity and sentiment are equally important factors in strengthening social media engagement.

Using this framework, companies can choose bloggers in a more efficient and effective way. Rather than relying solely on unique monthly views as a metric of reimbursement, firms plan strategies around particular blogger types, as defined by network size, blogger–follower similarity, and follower homophily.

*References are available on request.*

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# The Interplay of Consumer Engagement in Social Media and Brand Favorability

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**Keywords:** *social media, consumer engagement, brand favorability, brand equity, vector-autoregression*

**Description:** *This study examines the dynamic interplay between active and passive consumer engagement on social media and brand favorability.*

## EXTENDED ABSTRACT

### Research Question

So far, no study has examined the interplay between consumer engagement on social media and brand favorability. Addressing this research gap, this study examines first to what extent passive and active consumer engagement in three different social media channels impacts consumer brand perception and vice versa. Second, we analyze the role the respective social media platform has regarding the effect size of conversions from consumers' brand perception on their social media engagement. Third, we study to what extent manageable boundary conditions, namely the brand activity level in social media as well as the levels of interactivity and vividness of the post content increase or decrease the conversion of consumer engagement into higher brand favorability.

### Method and Data

We employed the vector autoregression (VAR) methodology for main effects, paired sample t-tests for platform comparisons and cross-sectional regression for moderator analyses. Our sample consists of 34 companies from 9 industries, with 208 to 365 time-series observations in 2014 for each brand. The overall sample size is 11,483 brand-day observations.

Data source for brand metrics is the BrandIndex provided by YouGov Group (online panel). We use a factor score comprising six subdimensions on consumer perception of a

brand (quality, value, satisfaction, recommendation, reputation and impression) to measure overall brand favorability.

Data on social media metrics was provided by quintly. We differentiated between passive consumer engagement (reach of each platform) and active consumer engagement (number of likes etc.). Moderators are measured via number of firm created content (activity), relative amount of vivid content and relative amount of interactivity cues.

### Summary of Findings

We augment previous research neglecting the role of brand favorability as a driver of consumer engagement in social media and find that passive engagement is driven by brand favorability in the longer term, while active engagement experiences immediate effects. We show that especially passive consumer engagement is triggered more often on social media platforms with high levels of self-presentation and disclosure (here: Facebook and Twitter). We additionally find that social media activities can drive brand equity through consumer engagement with these activities across all channels, and we find evidence that there are 'optimal' levels of brand's activities on the platform (i.e., activity quantity and quality) which moderate the effects of consumer engagement on brand favorability, but differ between passive (mainly ideal point) and active (mainly linear trend) consumer engagement. Finally, our results show that brands using a high level of vividness in their social media commu-

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nication experience stronger active engagement-brand favorability conversions, while high interactivity—as opposed to common beliefs—is rather harmful.

### **Key Contributions**

First, this study is the first to examine if and to what extent brand favorability is a driver of consumer engagement in social media and vice versa. We differentiate between passive (consuming) and active (contributing) consumer engagement, and our results show that such a differentiation is indispensable. Second, we are able to compare the

dynamic and reciprocal effects across the three most often used social media channels, namely Facebook, Twitter and Youtube. We can give more targeted advice to marketing managers, who aim at increasing the effectiveness of their social media communication. Third, our study sheds light on the optimal levels of activity a brand should show on in social media communications. Besides, we offer also evidence for appropriate levels of content vividness and interactivity social media managers should apply to their posts.

*References are available on request.*

# You Can Increase Consumer Engagement and Self-Referencing on Social Networking Sites

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*James M. Leonhardt, University of Reno*

**Keywords:** *branding, pronouns, social media, pronouns, self-referencing, engagement, brand–consumer relationships*

## EXTENDED ABSTRACT

Creating and maintaining consumer engagement with brand communications is crucial for marketing on social networking sites. Various strategies have been proposed to increase consumer engagement with brands on social networking sites such as Facebook, Twitter, and Google+ (Pavalou and Stewart, 2000). However, rather than being guided by theory, these strategies are largely data driven and, as a result, often fail to anticipate consumer behavior in novel contexts (Berger, 2014; Bunker, Rajendran, and Corbin, 2013). In the present research, a theory-based approach is used to identify predictors of consumer engagement with brand communications on social networking sites. In particular, this work builds on previous work from psycholinguistics on function words (e.g., Pennebaker, 2013) to understand how the use of second-person pronouns (e.g., “you”) in brand communications affect consumer self-referencing and engagement.

Two studies found evidence supporting the self-referencing effect in parasocial interactions on Facebook. Study one’s results indicated that brand posts including second-person “you” pronouns resulted in more favorable consumer engagement measured through “likes,” “comments,” and “shares.” Study two’s results indicated that brand posts including second person pronouns results resulted in higher rates of self-referencing and post involvement. Moreover,

study two found evidence indicating self-referencing mediates the relationship between post involvement and engagement. The results suggest that the effects of self-referencing are generalizable to parasocial interactions occurring between brands and fans. Marketers are advised to include novel methods of including second-person pronouns in their Facebook posts. This should result in consumers finding it easier to identify, involve, and attach to brand posts, making it easier for them to evaluate the post favorably

In support of prevailing managerial theory and practice, prescribing other-centric approaches to consumer–brand interactions holds in social networks such as Facebook. Additionally, we demonstrate that increased other-reference or other-focused communication in virtual environments may yield positive effects on virtual brand-relationship maintenance activities and communication practices. Firms may seek to leverage the linguistic content of brand–fan communication to improve their message structure and message focus, thereby enhancing customer relationship. Furthermore, our investigation opens the door to further examinations of language use in brand–consumer interactions.

*References are available on request.*

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# The Impact of Perceived Value on Satisfaction and Trust in the Context of Online Shopping: Moderating Effect of Online Word-of-Mouth

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**Keywords:** *perceived value, acquisition value, transaction value, e-WoM*

## EXTENDED ABSTRACT

### Research Question

The significance of understanding perceived value in the context of online shopping is as important as is in the context of traditional shopping. However, relatively few studies investigate the role of perceived transaction value on consumer satisfaction (Audrain-Pontevia 2013; Darke and Dahl 2003) and, to the best of our knowledge, no study tests its impact both on consumer satisfaction and trust in an online environment. Moreover, to convert customers' satisfaction into trust is significantly influenced by other customers' opinion. Prior studies have established the influential role of WoM in building customers' decision making process in the context of online shopping. However, knowledge related to the moderating role of WoM in building trust has been underresearched. In order to address the gap in the literature, this study, adopting exchange theory (Thaler 1983), technology acceptance model (Davis 1989) and means-end chain theory, has investigated the effect of customers' perceived value (both acquisition and transaction) on their satisfaction and trust over the website. Moreover, it also examines how the e-WoM moderates the relationship between satisfaction and trust.

### Method and Data

For this study data were collected through a self-administered questionnaire with the customers who have shopped product/services online. In this study, all measurements were adapted from previous studies, and all the items were measured using a 7-point Likert scale anchored with 1 "strongly disagree" to 7 "strongly agree." Altogether 359 respondents completed the survey and the usable sample size was 340

after cleaning the dataset. The details of the sample indicates that all the respondents were aged over 18 years and were almost evenly distributed as gender and most of them are employed. Prior to the final field work one pilot test ( $n = 31$ ) and one pretest ( $n = 42$ ) were conducted for the purpose of validating the instrument and ensuring the suitability of the survey administration. The outcomes of the pilot test and pretest resulted in minor changes such as rephrasing the wordings and restructuring the layout of the instrument. The data were analyzed applying structural equation modelling using AMOS 22.

### Summary of Findings

The measurement model demonstrated acceptable fit indices with the data. The confirmatory factor analysis (CFA) results strongly established the convergent validity and reliability of the constructs which were evaluated through factor loadings, Chronbach's alpha, composite reliability and average variance extracted (Anderson and Gerbing 1988; Hair, Hult, Ringle, and Sarstedt 2014). In this study, since self-reported measures were adopted, the impact of potential common method bias was minimized by adopting well-established scales, proximally separated measures of predictors, and maintaining the respondents' anonymity (Podsakoff, MacKenzie, and Podsakoff, 2012). The potential problem of the common method bias was also handled through Harman's one-factor test (Podsakoff and Organ, 1986) which showed that none of the factors accounted for the majority of covariance among items and the single-factor solution did not fit the data well. In addition, with a view to minimize the problem of self-generated

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validity several measures were adopted (Caligiuri et al., 2001; Podsakoff et al., 2003). In order to test the hypotheses, two models were developed in this study. Model 1 examined hypotheses H1 to H4 and showed that all the relationships are significantly supported except H2. Model 2 showed that e-WoM successfully moderates the relationship between Perceived satisfaction and Trust. The moderation effect was assessed using the product-indicator approach where all the predictor and moderator variables were standardized before creating the moderator terms. Moreover, the  $R^2$  of both the models were compared and assessed by the Cohen effect size ( $f^2$ ) formula (Cohen 1988) which showed that the inclusion of the interaction term has increased the  $R^2$  value by 0.06 to a value of 0.50.

### **Key Contributions**

The study would contribute to the extant literature as it has theoretical and managerial implications. The study findings suggest positive correlations between perceived transaction value and perceived acquisition value which suggests that

getting a good deal and obtaining good value for money have the same meaning for consumers. Consistent with previous studies, the findings also suggest that customers' perceived acquisition value has a strong influence on e-satisfaction; however, customers' perceived transaction value has no relationship with customers' e-satisfaction. Moreover, the study establishes that the customers' trust on the store will develop provided that they are satisfied with the store.

Another major contribution of this study would be findings about the positive effect of e-WoM on building customers' trust. It was also established the moderating role of e-WoM in the relationship between e-satisfaction and trust. Satisfied customers are converted into trusted and loyal ones provided that they found a large quantity of positive e-WoM about the brand or store; whereas, negative e-WoM would undermine their level of satisfaction and customers eventually develop an overall negative expectation which reduces their trust.

*References are available on request.*



# Current Research on Electronic Word-of-Mouth Communication: Literature Analysis and Further Research Directions

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## ABSTRACT

Electronic word-of-mouth (eWoM) communication has received a lot of attention from the academic community. As multiple research papers focus on specific facets of eWoM, there is a need to integrate current research results systematically. Thus, this paper presents a scientific literature analysis in order to determine the current state-of-the-art in the field of eWoM.

**Keywords:** *eWoM, electronic word-of-mouth, communication, literature analysis*

**Description:** *This paper presents an overall overview of the status quo of research in the field of eWoM and serves as a framework for further research.*

## Introduction

Electronic word-of-mouth (eWoM) communication is increasingly gaining significance. This development is driven by the impressive proliferation of digital media in customer decision processes and the correspondingly large number of scientific papers published on digital marketing communication in recent years (Amblee and Bui 2011; Hennig-Thurau et al. 2004; Zhang, Craciun, and Shin 2010). We now have research results bearing on a wide variety of issues in the area of eWoM. Yet, given that these issues are highly specific, a full overview on the research area has proved elusive. To relieve this situation, Cheung and Thadani (2012) carried out a systematic literature analysis, and examined numerous research papers on and around eWoM from 2000 to 2010. As social media, consumer reviews and other facets of eWoM have grown rapidly in recent years, research activities have also registered a significant uptick, yielding a fill of numerous insights since 2010. Hence, the important contributions of Cheung and Thadani (2012) need to be assessed critically due to the timeliness of the results.

For purposes of an up-to-date overview on current research, we conducted an additional literature analysis on scientific publications from 2010 to 2016. In addition, we evaluated

these papers for scientific significance based on their citation impact. The publications thus determined were then subjected to a deeper content analysis and categorized into five main research areas.

In the course of this paper, we address the following research questions: (a) how is current research on eWoM structured?; (b) which core areas can be identified in current research on eWoM?; and (c) which areas suggest themselves for future research?

Our findings support the need for further studies on eWoM by providing a structured overview of existing research results and identifying relevant areas for further research.

## Theoretical Foundation

In order to understand the concept of eWoM, it is, first of all, worth taking a closer look at word-of-mouth (WoM) itself. According to an early definition by Arndt (1967), WoM is a kind of oral communication about brands, products or services between a recipient and a sender; the sender is regarded as acting independently and not from commercial interest. In a more recent definition, Anderson (1998) emphasizes the informal nature of the communication processes by describ-

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ing WoM as “communications between private parties [...] rather than formal complaints to firms and/or personnel.” Electronic word-of-mouth, in contrast, can be defined as a special kind of WoM, where the means of communication rely on electronic formats and digital media. This offers a broad spectrum of new options for marketing communications. Both Hennig-Thurau et al. (2004) and Stauss (2000) in their respective attempts to define eWoM, explicitly identify the Internet as the key communication medium. Due to Internet technologies, there are a lot of fundamental differences to traditional WoM. According to Cheung and Lee (2012), the Internet offers an unparalleled degree of scalability and diffusion speed, which is facilitated by the broad spectrum of communication platforms and the advent of asynchronous communication. In contrast to traditional WoM, communication is no longer limited to small groups of individuals who usually share information in private conversations (Cheung and Thadani 2012). Instead, with the rise of mobile Internet access, any individual may join a conversation any place and any time.

Moreover, eWoM communication is more persistent, accessible, and measurable than communication on traditional channels. These characteristics provide an unprecedented range of options for utilizing data analytics applications to gain insight into previously unobservable communication between consumers. Furthermore, eWoM offers opportunities for consumer service management, crowd-based innovation processes, and branding. Moreover, recent research shows that consumer reviews of products and services impact strongly on decision processes of passive consumers (Gupta and Harris 2010). However, judgment of the trustworthiness of the sender information is prone to various uncertainties. Although the participants do not necessarily have to know each other, more and more consumers are willing to trust in user generated content. Such content is produced in different shapes and sizes and on various platforms, including for example video and music streaming services, online video games, virtual worlds, portals, online shops, online travel agencies, whistleblower websites, and social networks (Hennig-Thurau et al. 2010). For firms, this involves a certain loss of control as consumers can exchange

their experiences directly, rapidly, and easily. Unsatisfied customers may publish their criticisms of products or services online, where they are permanently visible for everybody. As such consumer communication can readily become a serious threat, the advent of eWoM requires critical assessment of established routines and traditional approaches in the area of marketing communications. Firms are therefore called on to monitor, analyze, and react to eWoM that is shared via digital communication channels, in order to prevent negative communication impact (Stauss 2000). Finally, the power of eWoM communication might be used more systematically in support of important marketing objectives.

## Method

In order to focus on the presented three research questions, a systematic literature analysis was conducted. The underlying method was adapted from vom Brocke et al. (2009) as well as Webster and Watson (2002). EWoM represents an interdisciplinary area of research, so databases from the business sciences and IT were included in the research process. Therefore, relevant work was captured from (a) the Association for Computing Machinery Digital Library (ACM); (b) EBSCO Business Source Complete; (c) Emerald Insight; and (d) IEEE Xplore Digital Library. In order to be considered for this study, publishers had to have published a minimum number of papers relating to the eWoM field. For databases (a), (c), and (d), a threshold of two was set and for database (b) a threshold of five. Search and analysis was conducted in March 2016 using the search criteria presented in Table 1.

A total of 206 papers matched the given search criteria. This set of papers represented the basis for the subsequent manual evaluation by means of a multistage filter process as depicted in Figure 1. First of all, duplicates were removed which had arisen from the use of multiple literature databases. The remaining subset comprised 183 papers. In order to determine the most relevant papers from this subset, we assessed the number of citations for each paper in related research papers. The underlying idea is that highly cited papers generally provide superior research results, pointing to a major scientific impact.

**Table 1.** Search Criteria for Database Research

Search criteria	Selection
Language	English
Search string	eWoM ∨ (electronic ∧ Word ∧ of ∧ Mouth)
Year of Publication	2010–2016
Only consider author-supplied keywords	Yes

In contrast, publications with few citations can be interpreted as less relevant and thus excluded from further analysis. We determined the number of citations by means of the Google Scholar search engine. In order to evaluate the importance of the different papers over time, the absolute number of citations per paper was normed by a division factor. This allows for the fact that older publications are expected to have a higher number of absolute citations. Table 2 provides an overview of the division factors applied for the different years.

In the further analysis, only papers that revealed a citation quotient equal or larger than 10 were taken into consideration. Finally, 33 highly relevant publications could be identified and these papers are presented in Table 3.

Subsequently, the contents of these 33 research papers was analyzed in detail and categorized by means of structured content analysis on the basis of similarities and differences in the orientation, content, and results of research.

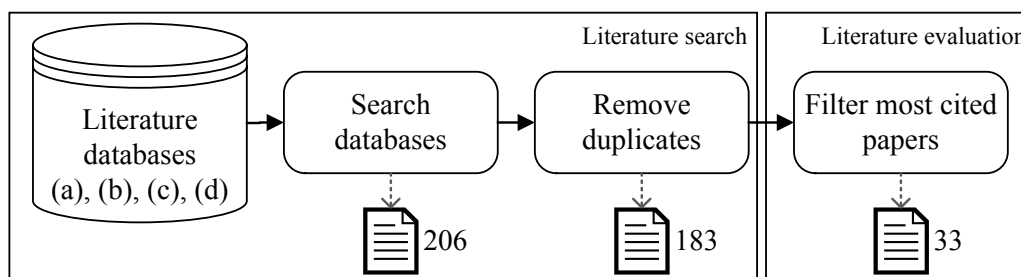
## Results

Five distinct categories could be identified on the basis of the eWoM research literature considered: participation in eWoM, typification of participants, impact on user behavior, used media, and used content. Allocation of the publications to the respective categories is illustrated in Table 4. Due to the limited scope of this paper, not all the results of the analysis can be presented in detail. For this reason, we will concentrate on the most significant.

## Participation in eWoM Communication

The category dealing with participation in eWoM communication covers research papers that deal with the motives to actively participate (e.g. creating or sharing eWoM content) or passively participate (e.g. consuming eWoM content). The focus of the research work examined clearly concentrates on factors making for active participation. Therefore, current research has concentrated heavily on the generation of eWoM. A frequently stated reason for participation in eWoM refers to emotional factors. Obviously, eWoM creates a feeling of belonging, particularly when sharing positive content (Cheung and Lee 2012; Ho and Dempsey 2010). In a similar way, self-presentation and self-assessment play an important role in the generation of eWoM. Thus, consumers register a greater intention to practice eWoM when they can identify themselves with other members of the group and share mutual traits (Lee, Kim, and Kim 2012). This applies in particular to brand communities, where enthusiasts actively lobby for a positive evaluation of the brand (Yeh and Choi 2011). Another motive can be linked to positive emotional benefits created by helping other Internet users (Bronner and de Hoog 2011; Cheung and Lee 2012) as well as a longing for interpersonal interaction and fondness (Ho and Dempsey 2010). However, all of the presented factors represent intrinsic motives. Obviously, such intrinsic drivers impact more significantly on participation in eWoM than extrinsic factors do. Consequently, monetary rewards play a minor role in eWoM communications (Yoo, Sanders, and Moon 2013). Besides such intrinsic drivers, other factors

**Figure 1.** Process of Literature Research and Number of Results



**Table 2.** Applied Division Factors

Year	2010	2011	2012	2013	2014	2015	2016
Division factor	7	6	5	4	3	2	0.25*

\*Database analysis until and including March 2016, i.e. the first quarter of the year

**Table 3.** Most Relevant Papers in eWoM Research

Authors	Publication Year	Division Factor	Citations	Citation Quotient
Hennig-Thurau et al.	2010	7	557	79.57
Cheung and Lee	2012	5	209	41.80
Cheung and Thadani	2012	5	203	40.60
Ho and Dempsey	2010	7	278	39.71
Bronner and de Hoog	2011	6	184	30.67
Zhang, Craciun, and Shin	2010	7	196	28.00
Gupta and Harris	2010	7	159	22.71
O'Connor	2010	7	159	22.71
See-To and Ho	2014	3	60	20.00
Sotiriadis and van Zyl	2013	4	76	19.00
Amblee and Bui	2011	6	107	17.83
Lee et al.	2011	6	101	16.83
Eckler and Bolls	2011	6	99	16.50
Chu and Choi	2011	6	96	16.00
Utz, Kerkhof, and van den Bos	2012	5	79	15.80
Bae and Lee	2011	6	89	14.83
Cheng and Huang	2013	4	58	14.50
Lee, Law, and Murphy	2011	6	83	13.83
Baek, Ahn, and Choi	2012	5	68	13.60
Racherla and Friske	2012	5	67	13.40
Jalilvand and Samiei	2012	5	63	12.60
Kim, Mattila, and Baloglu	2011	6	74	12.33
Tham, Croy, and Mair	2013	4	49	12.25
Elwalda, Lü, and Ali	2016	0.25	3	12.00
Dickinger	2011	6	69	11.50
Kim and Gupta	2012	5	57	11.40
Levy, Duan, and Boo	2013	4	45	11.25
Munar and Jacobsen	2013	4	45	11.25
Yeh and Choi	2011	6	67	11.17
Yoo, Sanders, and Moon	2013	4	43	10.75
Reichelt, Sievert, and Jacob	2014	3	32	10.67
Lee, Kim, and Kim	2012	5	52	10.40
Ha and Im	2012	5	52	10.40

like an appealing website design and the quality of information associated with digital media play an important role in eWoM participation. Accordingly, websites that are perceived as offering high quality content improve consumers' media and shopping experiences and, in turn, foster the sharing of positive experiences with others (Ha and Im 2012).

Only few research papers with high citation impact work on the consumption of eWoM. Nevertheless, in this context, it can be stated that the trustworthiness of the sender has a sig-

nificant influence on the receiver's attitude and intention to consume eWoM content (Reichelt, Sievert, and Jacob 2014).

### **Typification of Participants**

The second category of results covers research papers on the distinguishing factors of eWoM participants. Here the demographics of participants play a significant role, as too does their gender. With respect to the latter, research results prove that female consumers read reviews more intensively (Kim, Mattila, and Baloglu 2011) and are more strongly influenced

**Table 4.** Category System

Category	Subcategory	Publications
<b>Participation in eWoM</b>	Social factors	Cheung and Lee 2012; Ho and Dempsey 2010; Lee, Kim, and Kim 2012; Reichelt, Sievert, and Jacob 2014; Yeh and Choi 2011; Yoo, Sanders, and Moon 2013
	Help	Bronner and de Hoog 2011; Cheung and Lee 2012; Yoo, Sanders, and Moon 2013
	Personal factors	Ho and Dempsey 2010; Lee, Kim, and Kim 2012
	External factors	Ha and Im 2012
	Economic factors	Yoo, Sanders, and Moon 2013
	Trustworthiness	Reichelt, Sievert, and Jacob 2014
<b>Typification of Participants</b>	Gender	Bae and Lee 2011; Kim, Mattila, and Baloglu 2011
	Family status	Bronner and de Hoog 2011
	Age	Bronner and de Hoog 2011; Tham, Croy, and Mair 2013
	Income	Bronner and de Hoog 2011
	Expertise	Bae and Lee 2011; Lee, Law, and Murphy 2011
	Geography	Chu and Choi 2011
	Author	Dickinger 2011
	Self-presentation/ Assessment	Lee, Kim, and Kim 2012
<b>Impact on User Behavior</b>	Purchase intentions and decisions	Amblee and Bui 2011; Bae and Lee 2011; Elwalda, Lü, and Ali 2016; Jalilvand and Samiei 2012; See-To and Ho 2014; Sotiriadis and van Zyl 2013; Tham, Croy, and Mair 2013; Zhang, Craciun, and Shin 2010
	Online purchase	Cheng and Huang 2013; Elwalda, Lü, and Ali 2016; Utz, Kerkhof, and van den Bos 2012
	Product choice	Amblee and Bui 2011; Gupta and Harris 2010; Zhang, Craciun, and Shin 2010

**Table 4.** Continued

Category	Subcategory	Publications
<b>Used Media</b>	Reputation	Amblee and Bui 2011
	Intention to pass on	Eckler and Bolls 2011
	Product review/assessment	Kim and Gupta 2012
	Trust	Elwalda, Lü, and Ali 2016; Utz, Kerkhof, and van den Bos 2012
	Customer relation	Hennig-Thurau et al. 2010
	Social networks	Chu and Choi 2011; Hennig-Thurau et al. 2010; Levy, Duan, and Boo 2013; Munar and Jacobsen 2013; See-To and Ho 2014; Tham, Croy, and Mair 2013
	Multimedia services	Eckler and Bolls 2011; Hennig-Thurau et al. 2010
	Messaging services	Munar and Jacobsen 2013; Sotiriadis and van Zyl 2013
	Blogs	Munar and Jacobsen 2013
	Travel agencies/websites	Hennig-Thurau et al. 2010; Jalilvand and Samiei 2012; Kim, Mattila, and Baloglu 2011; Lee, Law, and Murphy 2011; Levy, Duan, and Boo 2013; Munar and Jacobsen 2013; O'Connor 2010
<b>Used Content</b>	Online shops (incl. review platforms)	Amblee and Bui 2011; Baek, Ahn, and Choi 2012; Bronner and de Hoog 2011; Cheung and Lee 2012; Elwalda, Lü, and Ali 2016; Gupta and Harris 2010; Ha and Im 2012; Hennig-Thurau et al. 2010; Racherla and Friske 2012; Tham, Croy, and Mair 2013; Utz, Kerkhof, and van den Bos 2012; Zhang, Craciun, and Shin 2010
	Forums	Lee et al. 2011; Yeh and Choi 2011
	Positive/negative contents	Bronner and de Hoog 2011; Lee et al. 2011; Levy, Duan, and Boo 2013; O'Connor 2010

**Table 4.** Continued

Category	Subcategory	Publications
	Aspects included	Bronner and de Hoog 2011
	Bogus contents	O'Connor 2010
	Type of content	Bronner and de Hoog 2011; Eckler and Bolls 2011
	Emotions	Eckler and Bolls 2011; Kim and Gupta 2012
	Perception	Baek, Ahn, and Choi 2012; Dickinger 2011; Elwalda, Lü, and Ali 2016; Racherla and Friske 2012
	Online channel	Dickinger 2011

in their purchase decision by online reviews than is the case with male consumers (Bae and Lee 2011). Another difference can be traced on the basis of consumer age. Previous research has established that older people participate less intensively in eWoM than younger people do (Bronner and de Hoog 2011; Tham, Croy, and Mair 2013). Additionally, there are significant results pointing to a different eWoM usage for couples. Irrespective of the number of children, couples engage more frequently in eWoM than single people do (Bronner and de Hoog 2011). Geographical and cultural differences could equally be observed. Chinese users, for example, develop a stronger trust in the recommendations of their digital peers and are, therefore, more influenced by them than is the case with, say, US users (Chu and Choi 2011). With regard to income, it can be determined that participants in the higher or lower middle bracket of income distribution are more likely to participate in eWoM communication (Bronner and de Hoog 2011). In addition, participants can be differentiated based on the interdependencies within their social groups.

Accordingly, we may distinguish two kinds of participant: on the one hand, there are participants that appreciate their independence and pursue their own goals; and, on the other hand, there are those who see themselves as strongly associated with other participants and, as a result, become more involved in helping others by e.g. sharing their experiences (Lee, Kim, and Kim 2012).

### **Impact on User Behavior**

The category of impact on user behavior covers research that deals with the various effects of eWoM communications. Numerous researchers confirm that consumers are influ-

enced by eWoM communication in their decision-making processes (Elwalda, Lü, and Ali 2016; Jalilvand and Samiei 2012; See-To and Ho 2014; Sotiriadis and van Zyl 2013; Tham, Croy, and Mair 2013). Adopting firms' perspectives, this can be used specifically to improve the reputation of products and brands (Amblee and Bui 2011). Regarding the impact of positive and negative eWoM, some interesting effects could already be uncovered. Thus, research results show that as the number of reviews increases, the judgment of products is driven in a positive or negative direction, as the case may be (Kim and Gupta 2012). In general, however, consumers are more influenced by negative eWoM communications than by positive ones (Bae and Lee 2011). Yet the purpose of the product considered also plays a role. Positive eWoM contents are perceived as more convincing provided the product considered is associated with a promotion consumption goal (e.g. image processing software for optimizing photos). In contrast, negative eWoM contents are perceived as more convincing when products cover a preventive need (e.g. antivirus software to prevent damage) (Zhang, Craciun, and Shin 2010). In addition, research supports the assumption that online reviews unfold a significant influence on the consumer's intention to purchase via the Internet (Elwalda, Lü, and Ali 2016) or in online shopping communities (Cheng and Huang 2013).

Although eWoM contents frequently contain valuable information, they do not necessarily lead to optimal decisions. Consumers with little motivation regarding the observance and processing of information tend to make suboptimal decisions on the basis of eWoM communication (Gupta and Harris 2010). Furthermore, when judging the trustworthiness of an online sales platform, reviews are more important than the general reputation of the sales platform (Utz, Kerkhof,



and van den Bos 2012). Electronic WoM also has an impact on customer relations. Accordingly, a number of factors could be identified that firms should take into consideration when managing their customer relationship (Hennig-Thurau et al. 2010).

### **Used Media**

The next category deals with research papers investigating the different media formats that consumers use for eWoM. Video and music streaming services, online video games, virtual worlds, portals, online shops, online travel agencies, whistleblower websites and social networks could be identified as the main media for eWoM communication (Hennig-Thurau et al. 2010). Social media, which are quite frequently researched by scholars in the tourism industry, take on a particular degree of importance. A conceptual framework which reveals the influence the short message service Twitter is having on decisions made by tourists, has already been developed (Sotiriadis and van Zyl 2013). Furthermore, research papers have already examined the effects of eWoM on the evaluation of holiday destinations (Tham, Croy, and Mair 2013) as well as tourists' involvement in creating and sharing digital information (Munar and Jacobsen 2013). Also, numerous papers deal with the evaluation of travel websites (Jalilvand and Samiei 2012; Kim, Mattila, and Baloglu 2011; Lee, Law, and Murphy 2011; Levy, Duan, and Boo 2013; O'Connor 2010). And there are also studies that analyze self-presentation and assessment (Lee, Kim, and Kim 2012) as well as the effects of eWoM in social networks on the purchasing intentions of consumers (Chu and Choi 2011; See-To and Ho 2014).

Furthermore, there are now numerous research results available on both retailer websites and review platforms (Amblee and Bui 2011; Baek, Ahn, and Choi 2012; Bronner and de Hoog 2011; Cheung and Lee 2012; Elwalda, Lü, and Ali 2016; Gupta and Harris 2010; Ha and Im 2012; Racherla and Friske 2012; Utz, Kerkhof, and van den Bos 2012; Zhang, Craciun, and Shin 2010) as well as forums (Lee et al. 2011; Yeh and Choi 2011).

### **Used Content**

This last category covers research papers that deal with the elements, perception, and effects of certain eWoM contents. First of all, it must be noted that shared content depends on the respective sender. Electronic WoM participants who have personal, i.e. self-involved, motives for participating in the communication (e.g. monetary rewards or self-presentation) include fewer aspects in the communication than do eWoM participants who wish to help others (Bronner and de Hoog 2011). In addition, the former group shares more negative eWoM contents than the latter group (Bronner

and de Hoog 2011). Socially engaged participants, in contrast, tend to share suitable photos with other participants (Bronner and de Hoog 2011). Furthermore, there are some research results that focus on emotional aspects of the communication. Thus, it has already been examined how consumers interpret emotional contents in reviews and how these interpretations affect the perception and judgement of products (Kim and Gupta 2012). Viral advertising videos represent a special segment here. In the case of these, it could be proven that pleasing contents unfold stronger effects on the consumers' attitude than do, say, shocking or frightening contents (Eckler and Bolls 2011). Other researchers focus on the evaluation of the perceived usefulness of different content types. In this context, relevant factors for the usefulness of reviews have also been researched (Baek, Ahn, and Choi 2012). Here it is evident that contents from participants with a high reputation are more frequently perceived as useful (Racherla and Friske 2012).

Background information (e.g. a real photo or name) about the reviewer, in contrast, has no influence on the perceived usefulness of the content (Racherla and Friske 2012). Yet user-generated eWoM contents are deemed in principle as more trustworthy than editorial contents or contents prepared for advertising, although they frequently cannot compete on quality (Dickinger 2011). So firms are challenged to follow the eWoM communication of their consumers as closely as possible and to exert influence. Hence, many firms have already taken to actively monitoring and controlling their reputation on corresponding review media by e.g. responding to criticism (O'Connor 2010). This makes sense because responding to complaints is usually reflected in a better review of the firm (Levy, Duan, and Boo 2013).

### **Implications**

The results presented in this paper convey an overall overview of the status quo of research in the field of eWoM. We conducted a comprehensive literature analysis and determined the 33 most relevant publications in the field on the basis of their citation frequency. Additionally, we grouped the content of these publications into five core research areas. The results provide a compact overview of where research currently stands in the field of eWoM, and may serve as a framework for further research. In addition, relevant gaps are identified for exploration in future research projects.

The majority of existing papers in the field concentrate on the sender of eWoM communications. Thus, there is need for complementary research into eWoM recipients. Among other options, research could focus on how contributions by paid reviewers, or even bogus reviews, affect the trust level of eWoM recipients. Existing research also backs up the



assumption that eWoM has been mainly studied so far in terms of the impact on purchase decisions.

However, this only covers one important impact dimension. Thus, future research should also take particular note of the impact eWoM has on recommendations, customer relations, and the reputation of products, services, and brands. Furthermore, eWoM might impact positively on business related objectives in the area of innovation and service capabilities. Therefore, the ability to run, maintain, and use eWoM might be seen as an important resource for firms committed to the development and evaluation of innovative products and services. In addition, eWoM can be expected to assume increased importance as digitalization proceeds, meaning that companies will have to deal with the issue sooner or later. This research could help firms meet this challenge by providing approaches and best practices for the successful management and control of eWoM. As a limitation of this study, it must be stated that analysis is confined to four relevant literature databases. However, we are confident that most of the relevant research papers are covered in these databases and were taken into consideration.

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# Effect of WOM Message Initiator Position in Social Networks on Consumers' Promotional Deal Evaluation

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**Keywords:** *social network analysis, word-of-mouth, information source effect, promotions*

**Description:** *Analytic paper for social network analysis.*

## EXTENDED ABSTRACT

### Research Question

The purpose of the study is to investigate the role of information source effects on evaluations of promotional offers or “deals” posted in online environments. Especially, this study investigate which of these consumers in a social network should a company seed a promotion with to maximize their effort to increase the likelihood of preference of promotions? Those three measures of SNA we investigates were: consumers with high “Degree of centrality”; consumers with high “Closeness centrality”; and consumers with high “Betweenness centrality.”

### Method and Data

To maximize the contribution to both marketing theory and practice, we gathered a dataset from the “Hot Deals” forum on a popular deal forum website. This is a consumer-to-consumer website where consumers post information about “deals” that they encounter, including price, store name/website, discount amount, discount type, and product information. Furthermore, users are able to give reputation points to information providers whom they find helpful, resulting in a publicly viewable reputation score for each member.

The data collection phase involved three stages: data mining, data manipulation for conducting SNA, and data processing for the analysis. In stage one, data were retrieved for 92,024 promotions posted by 46,281 different forum members. In stage two, data preparation for SNA was conducted and degree of centrality, closeness centrality, and betweenness centrality were calculated, using Pajek-XXL. In stage three,

the three calculated centrality measures were merged into the original dataset that was collected in stage one by unique user names and a full dataset with a total of 20,084 promotion postings was created for statistical analyses. To test our hypotheses, we used this full dataset and conducted a series of general linear regression models with STATA 13.0.

### Summary of Findings

The results provide clear evidence of social network derived source effects on deal evaluation. In these online contexts, users evaluate the promotions more favorably if the deal poster has a higher betweenness centrality in a network and a higher reputation score when the deal was endorsed by the site moderator. On the other hand, online deal forum users evaluated the promotions less favorably when the deal poster had lower degree of centrality and lower closeness centrality.

### Key Contributions

These results reveal both opportunities and problems for marketers who conduct promotional seeding campaigns. As our results suggest, consumers evaluate deal information more highly from users with a higher reputation and users who are closer to each other and serve as a bridge for information between other members in the network. However, marketers should avoid recruiting consumers simply because they have a high number of connections (i.e., a high degree of centrality), and the location in the network (i.e. a high closeness centrality) as they may actually harm marketers' promotion efforts when other forms of centrality are held equal.

*References are available on request.*

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# Perceived Tie Strength and Temporal Distance on Social Media: What Kind of Messages Do Consumers Like to Share?

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**Keywords:** *e-WOM, social tie, construal level theory*

## EXTENDED ABSTRACT

### Research Question

This study explores how the perceived tie strength between the senders and receivers of e-WOM messages, temporal distance, and the concreteness of promotional messages may determine the consumer's intention to engage in e-WOM sharing on social media websites.

### Method and Data

We conducted an experimental study with a two (strong tie vs. weak tie) by two (near future vs. distant future) by two (abstract message vs. concrete message) mixed design.

### Summary of Findings

We found that consumers are more likely to share promotional messages within their strong ties rather than weak ties. Moreover, if a purchase is perceived to occur in the near future, then a concrete promotional message is more effective in motivating consumers to share the message with their

strong ties rather than weak ties. However, if a purchase is perceived to occur in the distant future, then an abstract message is more effective. Such a difference arises because the effect of construal level theory depends on the strength of a tie between e-WOM participants.

### Key Contributions

Our findings offer a new theoretical and practical contribution to the emerging literature on e-WOM communication from the sender's perspective. Specifically, we illustrate how the concreteness of a message and temporal distance co-influence the sender, when they share information with their strong-tie and weak-tie audiences. In doing so, we extend the application of construal level theory and advertising message processing into the domain of e-WOM and social ties research.

*References are available on request.*

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# Role of Felt Emotions in Marketplace Rumormongering

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**Keywords:** *rumor sharing, word of mouth, anxiety, arousal, motivation*

**Description:** *The paper explores the role of anxiety and arousal in the consumer's rumor sharing intentions; which are explained by the mediating role of two key sharing motivations.*

## EXTENDED ABSTRACT

### Research Question

Why do rumors propagate easily in the marketplace? Why do consumers share rumors, many of which are noticeably questionable? One possible explanation for why rumors are fast propagated lies in the basic characteristic of a rumor. Rumors are often unverified and lack certainty in their claims. Such lack of certainty forestalls the consumer to reject the rumor outright, nor does it completely seem plausible to the consumer. This ambiguity in judgement often causes psychological states of unrest (e.g., anxiety, arousal, etc.) which forces the consumer to act in ways to maintain homeostasis; thereby causing substantial increase in rumor sharing. This study examines the role of emotions in shaping the consumer's intention to share a rumor. In particular, the study explores the role state anxiety (Spielberger, 1966, 1972) and arousal (Mehrabian, 1996) to be the fundamental triggers in a consumer's decision to share the rumor. Luminet et al. (2000) have established that people seek social interactions to share extreme emotions. Rimé (2009) has reviewed and suggested that people share almost 90% of their emotions with others. Berger and Milkman (2012) have reported that emotions shape virality of content. This study explores the role of Arousal and Anxiety in influencing the consumer's decision to share rumors.

### Method and Data

This study employs a quasiexperimental design. Based on a pretest, the study designs eight rumor messages; in a  $2 \times 2 \times 2$  full factorial design systematically controlling for credibility, novelty and valence of the rumor. All messages were all labeled to be "rumors" or "unconfirmed reports," and were

concerning four product categories. Data for the empirical investigation was collected from 394 students, who were studying either in undergraduate or graduate programs in engineering or business administration, of whom 54.6% respondents were males. Arousal was measured using a 5-item Likert scale adopted from Mehrabian and Russel (1974). State anxiety was measured using a 6-item Likert scale adopted from Marteau and Bekker (1992). Motivations to share the rumor were adopted from Sudhir and Unnithan (2014) scale on consumer motivations to share rumors. The dependent variable in the study was the consumer's intention to share the rumor. Intention to share the rumor was measured using a 5-item Likert scale measuring the consumer's intention to share the rumor with family, friends, strangers, on social media, and over the internet. The intention to share scale captured both online and offline scenarios of rumor propagation. Further the study conducts a PLS-SEM analysis to analyze the path coefficients and mediating role of motivations.

### Key Contributions

The current study identifies some interesting findings, contributing significantly to marketing theory and practice. The study conceived to identify the role of emotions felt by the consumer at a particular situation (state anxiety and arousal) on their subsequent rumor sharing process. The study explored the role of these emotions in motivating the consumer to share the rumor; specifically two motivations were envisaged to be intervening effect of emotions and rumor sharing; which were emotional regulation motivation, and information sharing motivation. The study finds significant results indicating empirical support to the key conceptualizations discussed earlier in this paper. Firstly,

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the study identifies the role of emotional regulation and information sharing as two key motivations for consumers to engage in rumor sharing with other consumers. Secondly, the study identifies the role of emotions in propagation of unverified information among consumers using the WOM channel.

### **Summary of Findings**

The findings of this study indicate that both state anxiety and arousal play a significant role in the consumer's intention to share the rumor. Though anxiety elicits a linear relationship,

arousal illustrates a classical inverted U shaped relationship with rumor sharing decision of the consumer; which is in support to the Yerkes-Dodson (Yerkes and Dodson, 1908) law of arousal. Further, this study provides evidence that consumers share rumors for both information sharing and anxiety management. Results indicate that anxiety plays a significant role in explaining negative rumor propagation, whereas arousal is predominantly the emotion behind the sharing of positive rumors.

*References are available on request.*

# To Abandon or Not to Abandon a Mobile Shopping Cart: The Role of Ambivalence

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*Nikolaos Korfiatis, University of East Anglia*

**Keywords:** *shopping cart abandonment, ambivalence, conflicts, self-efficacy, performance expectancy*

**Description:** *This study explains the behavioral outcome of mobile shopping cart abandonment by developing a conceptual model in which three perceptual conflicts lead to ambivalent feelings among users, and then in turn result in mobile shopping cart abandonment.*

## EXTENDED ABSTRACT

Although mobile shopping has considerable growth potential, the high abandonment rate of mobile shopping carts can be seen as reflecting the hesitation and suspicion that many people seem to have for this new form of retailing. This study thus examines consumer perceptions of mobile shopping, and why they might decide to abandon their mobile shopping carts before completing a purchase.

Drawing on the cognition-affect-behavior paradigm (CAB), this study develops a conceptual model that explains the behavioral outcome of mobile shopping cart abandonment. Three perceptual conflicts, namely: attribute conflicts, interpersonal conflicts and low self-efficacy are proposed as antecedents of emotional ambivalence, and the resulting emotional ambivalence causes hesitation and then mobile shopping cart abandonment. In addition, the moderating effect of performance expectancy on the relationship between hesitation and abandonment is also discussed. We empirically test the model through the use of data collected from 232 mobile shoppers. The results of the variance-based partial least square (PLS) analysis show that emotional ambivalence is caused by conflicting thoughts towards mobile shopping attributes and low self-efficacy with regard to mobile shopping, and this then leads to mobile shopping hesitation and shopping cart abandonment. The relationship between hesitation and abandonment is negatively moderated by performance expectancy.

## Research Question

Mobile shopping has become very popular over the past few years, and it is expected to continue to grow in the near future.

Mobile shopping has taken 30% of the US e-commerce market and is estimated to grow up to 300% faster than conventional e-commerce (Kumar 2016). This phenomenon presents a significant problem for e-tailers as no rewards are paid back for the expense of providing mobile channels to shoppers. This study introduces the concept of ambivalence in order to more precisely reflect the mental states of mobile shoppers, and to examine why people may start to use mobile shopping services, but then choose not to complete their purchases.

This study addresses two important research questions: (1) What causes ambivalence and then influences mobile shopping cart abandonment? And (2) Does performance expectancy make mobile users less likely to abandon a mobile shopping cart? This study proposes that cognitive based conflicts lead to emotional ambivalence, and cause mobile shopping hesitation and in turn shopping cart abandonment. Third, the results of this work reveal that shoppers who anticipate positive outcomes towards mobile shopping (performance expectancy) are less likely to abandon their shopping carts.

## Method and Data

A survey was posted on several online forums, bulletin for 30 days, with a short invitation provided to encourage consumers with an experience of mobile shopping to fill out the survey. 232 valid questionnaires were used for the final analysis. Among them, 83% of respondents were between the ages of twenty and forty, and 70% were female.

The scales to measure the conflicts of mobile shopping attributes and interpersonal conflicts were newly developed

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for this study by conducting a focus group. The other six constructs were assessed using multiple-item perceptual scales adapted from prevalidated instruments from prior research, and modified to fit the context of mobile shopping.

### Summary of Findings

In the PLS model, attribute conflicts have a strong and significant effect on emotional ambivalence ( $\beta = 0.345$ ;  $t = 4.785$ ). Interpersonal conflicts have a positive effect on ambivalence ( $\beta = 0.156$ ;  $t = 2.133$ ). Self-efficacy had a negative effect on emotional ambivalence ( $\beta = -0.182$ ;  $t = 3.232$ ). In addition, the effect of ambivalence on mobile shopping hesitation (H4) and the effect of hesitation on shopping cart abandonment (H5) were both strongly significant ( $\beta = 0.304$ ;  $t = 4.037$ ;  $\beta = 0.550$ ;  $t = 11.257$ ).

Regarding the moderating effect of performance expectancy on the hesitation-abandonment relationship, we followed the recommendation of Chin et al. (2003), and the products, taken as interaction terms of performance expectancy and hesitation were modeled in PLS. The interaction effect was found to have an effect size of 0.026, which represents a small but significant effect (Chin et al., 2003). The inclusion of the interaction effects indicated a strong beta of  $-0.134$ , increasing the  $R^2$  for abandonment from 0.336 to 0.353. The model in which performance expectancy was proposed to moderate the link between hesitation and abandonment possessed a significantly higher explanatory power than the baseline model. Therefore, the negative moderating effect of performance expectancy is confirmed.

### Key Contributions

This research contributes to the mobile commerce research in several ways. First, this research offers a conceptual framework that helps understand mobile shopping avoidance, specifically shopping cart abandonment. The conflicts-ambivalence-hesitation-avoidance framework explains how and why mobile shopping cart abandonment takes place. Mobile shoppers actually experience a mental process in which they cognitively, emotionally, and even hesitantly avoid completing a shopping task. Additionally, this framework demonstrates the link between hesitation and shopping cart abandonment, which implies that shoppers have not always determined to abandon their shopping carts when they begin browsing the site, but actually experience a tension between completing and not completing the mobile shopping task while engaged in the act of considering a purchase.

Second, performance expectancy is found to mitigate the strength of the hesitation-shopping cart abandonment relationship. This result has important implications for online consumer psychology. Although mixed emotions can lead to the abandonment of a mobile purchase, cognitive-based performance expectancy can regulate emotions and change behavior in the final purchase stage. This finding is in accordance with expectancy theory (Vroom 1964), which argues that behaviors are motivated based on the desirability of the related outcomes.

*References are available on request.*

# It's Not About the Color but Color Contrast: An Experimental Study of the Influence of Color Contrast Between Mobile Games and In-Game Advertising

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**Keywords:** *mobile games, banner advertising, consumer behavior, color*

**Description:** *A laboratory experiment was conducted ( $N = 180$ ,  $2 \times 3$  between subject design) to better understand the visual impact of integrated banner advertisement on the perception of mobile games.*

## EXTENDED ABSTRACT

### Research Question

There is a lack of research that investigates the impact of the visual integration between the advertising and the digital game itself on the consumers gaming experience. We contribute to literature by showing (1) how the color contrast could improve the attitude towards the integrated banner advertisement and the recall of the advertised product, (2) how the color contrast influence consumers' emotions, their attitude towards playing the mobile game, the game's personality and download intention, and (3) how these influences are moderated by the predominant primary color of the graphics in the mobile game itself.

### Method and Data

A laboratory experiment was conducted ( $2 \times 3$  between subject design) to better understand the visual impact of integrated banner advertisement on the perception of mobile games. Based on the congruency theory we assume that a lack of visual congruence between the graphics of a mobile game and the integrated banner advertisement led to a higher intrusiveness and therefore has a negative influence on several consumers' related responses. To analysis our hypotheses we manipulated the color contrast between the graphics of a real mobile game and the color of the integrated banner advertisement (color contrast: analogous vs. complemen-

tary) as well as the predominant primary color of the graphics of the mobile game itself (color: yellow vs. red vs. blue). In total we collected and used the data from 180 undergraduate students (women: 47.8%,  $M_{\text{age}} = 23.04$  years,  $SD = 4.7$ ), which were randomly and equally assigned to one of the six experimental conditions in a laboratory experiment and were exposed only to one condition

### Summary of Findings

The results show that an analogous color contrast positively influences the attitude toward the advertising, as well as the overall experienced emotions, attitude of playing the game and download intention. The results of the present study show that an analogous color contrast has a positive impact on almost all of these consumer related variables, except from the capability to recall the advertised product. Surprisingly the predominant color of the mobile game itself or the integrated banner advertisement does not moderate these effects. Therefore, we assume that the impact of the color contrasts on consumers is a universal phenomenon which is detached from the individually preferences for a specific color.

### Key Contributions

One of our most interesting findings is, that the color contrast not only influence consumer emotions, attitude and

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perceived game personality, but also actually influence her/his behavior, in the context of the stated download intention and ability to recall the advertised product. Therefore, game developers as well as advertisers should be aware of the influence of different color combinations

between the game and the integrated advertisement with regards to the gaming experience as well as brand communication in general.

*References are available on request.*

# Understanding In-Store Mobile Phone Usage and Retail Sales

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**Keywords:** *in-store mobile phone use, retail sales, limited attentional capacity*

**Description:** *In-store mobile phone use increases the time consumers spend in the store, time spent scanning shelves, and as a result spending in the store.*

## EXTENDED ABSTRACT

### Research Questions

Anecdotal evidence has shown that distractions due to mobile phone usage might have negative impacts for retailers, especially those that rely on impulse purchases. Before smartphones, consumers tended to browse impulse items like candy, magazines, and beverages while waiting in line at checkout counters; today, consumers often use that downtime to pull out their mobile phones and catch up on whatever they may have missed while shopping, causing consumers to ignore the point-of-purchase displays around them. This phenomenon, known as “mobile blinders,” might be the cause for recent sales declines in the gum and confectionary industry (Nathanson 2013) and magazine sales (Kharif 2013).

Although lower sales of impulse items might be a downside of mobile phone usage at checkout counters, during the rest of the shopping experience, these uses might be beneficial. Mobile phone usage can actually increase the time consumers spend in stores, because they are distracted by performing multiple tasks which could translate into additional sales. This study explores the following research questions:

1. Can mobile phone usage in stores (even when unrelated to the purchase task at hand) positively influence purchases?
2. If so, what are the mechanisms responsible for this positive effect?

### Method and Data

We use eye-tracking technology to administer a large scale study in four retail stores in Sweden, recording 393 complete shopping trips in more than 92 hours of shopping videos that provide complete information about customers' visual fields from the moment they enter the store until they exit. We combined these data with purchase data, gathered from their receipts. The measure of each customer's visual attention was calculated relative to the total time he or she spent in the store, starting from the time the customer entered the store and ending when he or she reached the checkout line (in seconds). Visual attention measures included both products and all other visual objects, such as other consumers, store employees, or store elements (e.g., floors, walls, posters). Product fixations were also timed according to a three-level visual dimension, that is, the amount of visual attention devoted to the upper, middle, or lower third of the shelf. For usage of a smartphone, the coding indicated the time the consumer spent using the mobile phone (whether for store-related purposes or for something unrelated). The resulting variables also reflect both the relative time spent looking at the phone and whether the customer used the smartphone or not.

### Summary of Findings

We found that customers who used their phones while in the stores spent more. These results address the first research question and confirm a positive effect for retailers when con-

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sumers use their mobile devices in stores. The mechanisms responsible for this effect include both more time spent scanning the shelves and more time in the store. In addition to addressing the second research question, this finding informs attention capacity theories, by illustrating that it is not mobile phone usage itself that causes increased sales, but rather what mobile phone usage in a shopping context does in terms of reducing information processing capacity that induces the effect. When using their phones, shoppers make their shopping trip longer, because they slow their pace, and they fixate their eyes on shelves while toggling between activities. Both actions increase consumers' purchases and thus retailers' sales.

### **Key Contributions**

Anecdotal evidence describes how mobile phone usage decreases point-of-purchase sales, but our results indicate that it can increase sales overall. Retailers thus might consider encouraging in-store mobile phone usage, such as through direct interactions that offer coupons or targeted advertising (Hui et al. 2013) or by rewarding customers for their participation in a mobile game or app while in stores. The constant back-and-forth between using the technology and completing the task at hand might distract consumers

and cause them to spend more time wandering through the store, deviating from intended shopping goals, and evaluating the retailer differently.

Theoretically, this study extends research on attention capacities by applying the theory to the unique context of mobile phone usage. Consumers use their mobile phones for far more than just voice calls or texts, so it is important to understand how their uses affect consumers' daily lives and alter their abilities to perform day-to-day tasks. Substantial research suggests ways to use mobile technology to communicate with customers (e.g., Andrews et al. 2016; Danaher et al. 2015; Grewal et al. 2016; Khajehzadeh, Oppewal, and Tojib 2015), but little research to date has explained how general mobile phone usage might interfere with customers' performance of traditional activities, like shopping. In addressing this gap, our results also illustrate the mechanisms responsible for increased customer purchases, namely, increased time in the store and increased time scanning shelves, both of which are consistent with attention capacities theories.

*References are available on request.*

# Mobile Consumer Segments' Perception and Usage of Location-Based In-Store Mobile Shopper Marketing

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**Keywords:** *mobile marketing, smartphone, mobile user segmentation, location-based marketing, in-store digital technology*

**Description:** *This study first explores how mobile consumers can be segmented according to psychological factors related to smartphone usage and secondly analyzes how the identified segments differ in the perception and usage of location-based in-store mobile shopper marketing.*

## EXTENDED ABSTRACT

### Research Question

As smartphone penetration reaches the 80% mark in many developed countries, marketers face an unprecedented portion of mobile consumers potentially ready for innovative forms of mobile marketing. However, as more consumers own smartphones, chances are they differ in how they use their smartphones in daily life and how they perceive and potentially use innovative forms of mobile marketing such as location-based in-store mobile shopper marketing. Research on mobile marketing evolves gradually even though this topic is growing dramatically in practice. Mobile shopper marketing is a rapidly evolving area at the intersection of mobile marketing and shopper marketing, including both outside store and in-store activities. Consumer segmentation can help to distinguish different types of consumers and address them appropriately via mobile. Although previous studies have segmented mobile users, they have neglected psychological factors specifically relevant for mobile marketing as segmentation criteria. Additionally, there is a lack of research on how (specific segments of) consumers perceive and react to different forms of mobile marketing in different situations. Against this background, the present study explores how mobile consumers can be segmented according to psychological factors and how the identified

segments differ in the perception and usage of location-based in-store mobile shopper marketing.

### Method and Data

First, drawing on multiple theories such as social cognitive theory and innovation diffusion theory, we derive psychological factors relevant for segmenting mobile consumers with specific focus on innovative forms of mobile marketing such as location-based in-store mobile shopper marketing. We empirically test these factors with a  $n = 1,535$  sample of smartphone-owning consumers across all age brackets. Based on exploratory and confirmatory factor analyses, we identify four distinct factors, which are then used for segmentation. Segmentation based on two-step and k-means clustering results in a six-cluster solution. The clusters are described based on general smartphone use, frequency of performed smartphone activities, and demographics.

Secondly, two scenarios of innovative location-based in-store mobile shopper marketing were designed. Both scenarios include a mobile app with a personal shopping list. The scenarios differ regarding the nature of the location-based in-store mobile shopper marketing functionality with one scenario aiming to evoke a hedonic and the other a utilitarian

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experience. Randomly chosen, survey respondents were presented with one of the scenarios followed by the identical set of questions on the perception and potential usage of the mobile application presented in the scenario. ANOVA and post-hoc Tukey tests are used for identifying differences, and similarities, within and between segments.

### **Summary of Findings**

The findings demonstrate the relevance of the identified factors (mobile-specific innovativeness, personal attachment to smartphone, mobile users' information privacy concerns, and smartphone self-efficacy) for segmenting mobile consumers as the identified segments significantly differ regarding both generic smartphone behavior as well as the perception and usage of location-based in-store mobile shopper marketing. The findings further hint at how marketers should address the identified segments with mobile marketing.

### **Key Contributions**

The main contribution of this study lies in segmenting mobile consumers based on factors both derived from mul-

tiple established theories and most relevant for mobile marketing. The identified clustering factors and the clustering result are validated through the significant differences between segments regarding generic smartphone usage behavior as well as the perception and usage of location-based in-store mobile shopper marketing. The theoretical contribution of this paper lies in combining different theoretical streams to adequately and effectively address the nascent and complex phenomenon of segmenting mobile consumers. A further contribution lies in scale adaptation and validation. Extant scales were adapted to the specific context of smartphone use and innovative forms of mobile marketing that may involve the disclosure of personal information (e.g. user behavior and location) in return for personalized experiences on the go. Future research is invited to use and/or further refine these scales. Practitioners can learn from our study that mobile consumers are heterogeneous and need to be addressed appropriately. Our study suggests several means how to do so.

*References are available on request.*



# Measuring the Success of Social Media Activities: Brand Page Attachment as a Prebehavioral Construct

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**Keywords:** *brand page, brand attachment, brand page attachment, brand page participation*

## EXTENDED ABSTRACT

### Research Question

Due to innovations in technology, numerous social media platforms have been launched in the past decades. These platforms can be subsumed under the umbrella of social media (Muntinga et al., 2011). Tuten and Solomon (2013) distinguish social media platforms into four categories: social networks that focus on relationships among people (e.g., Facebook), social publishing sites that support the distribution of content (e.g., YouTube), social entertainment platforms including gaming sites or virtual worlds (e.g., Second Life), and social commerce sites that assist in buying and selling products (e.g., Groupon). Due to their immense reach, social networks (in particular Facebook) play a significant role amongst social media (Nelson-Field et al., 2012). Because social networks enable companies to build substantial bonds with actual and potential customers, brand managers face the challenge to measure the success of their activities in social networks (Naylor et al., 2012). Various measurement efforts attempt to evaluate brand page performance in social networks: (1) Brand page monitoring, which summarizes the content of messages into positive, negative, and neutral posts, is barely related to any performance indicators and also carries the risk of misinterpretation (Tuten and Solomon, 2013); (2) Longitudinal studies, which quantify the impact of digital activities on sales, website traffic, and new customer acquisition, enable no understanding of the process that happens between confrontation with brand page stimuli and resulting consumer behavior (Stephen and Galak, 2012; Wilcox and Kim, 2012); (3) Brand page

engagement, which measures the degree of user participation, reflects the level of activity on a brand page (Gummerus et al., 2012; Zaglia, 2013). Facebook itself started to provide the “engagement rate” as a central performance indicator to its customers. However, only 1.3% of users that follow a brand page are actually participating (Hedemann, 2012). But even passive followers might have an emotional bond with a brand page. Brand page engagement and the other efforts do not capture this emotional bond.

Consequently, the main objective of this paper is to establish a psychological, prebehavioral construct that measures a users’ bond to a brand page in social networks. In order to capture this bond, the construct brand page attachment will be developed. For brand managers, it is essential to know which factors impact brand page attachment. In addition, little is known about the consequences of brand page attachment. Therefore, brand page attachment will be embedded into a nomological network by considering antecedents and consequences of the construct.

### Method and Data

For the empirical study 4,548 members of a German online panel were invited. As necessary condition, the respondents were required to have an active Facebook account and to follow at least one of 55 brands from three industries (FMCG, automobile, restaurant chains). 763 respondents met the criteria. After data cleansing, 590 were left for the analyses. The sample contains equal numbers for male (49.5%) and

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female (50.5%) respondents. Most respondents (34.2%) were 46 years and older (23.1% from the age group of 36–45; 23.7% from the age group of 26–35; 19.0% from the age group of 14–25). The average Facebook usage intensity was between several times a day and once a day. Most participants (43%) have been following the brand page for more than a year. Per industry, 199 cases for automobile, 194 for FMCG, and 197 for restaurant chains were included in the analyses.

Brand page attachment was measured by adapting the brand attachment scale of Park et al. (2010). Items to measure the antecedents and consequences were mostly adapted from existing scales (e.g., Henning-Thurau et al., 2004; Ko et al., 2005; Taylor et al., 2011; Gummerus et al., 2012). For the measures a five-point Likert-type response format with 1 = “strongly agree” to 5 = “strongly disagree” was applied.

To analyze the model, we chose variance-based SmartPLS 2.0 (M3) because the research goal is to predict the constructs of brand page attachment and brand page participation. Preliminary analyses were conducted with IBM SPSS Statistics 22.

### Summary of Findings

Information and entertainment as antecedents of brand page attachment merged into one factor we labelled infotainment. As expected, all antecedents had a significant positive effect

on brand page attachment, underlining the importance of infotainment, social value, and economic incentives in creating consumers who are highly attached to brand pages. Social value had the strongest effect on brand page attachment followed by infotainment and economic incentives. In addition, brand page attachment was identified as strong predictor of important brand page related behaviors (liking, commenting, and sharing).

### Key Contributions

The first key contribution to social media research is the introduction of brand page attachment as psychological, pre-behavioral construct. This is considered important as other measures do not capture a users’ bond to a brand page in social networks.

The second key contribution to social media research is the embedment of brand page attachment in a nomological network consisting of antecedents and consequences. By doing so we were able to confirm previous qualitative research regarding the relevance of information and entertainment (infotainment), social value, and economic incentives. In addition, we were able to show that brand page attachment is a strong predictor of brand page participation as desired brand page related behavior of liking, commenting, and sharing.

*References are available on request.*

# Decoding Convergent Products, Its Effect on Consumer-Based Brand Equity: Customer Experience as a Mediator

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## ABSTRACT

The profusion of convergent products is the key characteristic of contemporary products. The boundaries between products are disappearing rapidly due to convergence. This research integrates three streams of literature i.e. product attribute, consumer-based brand equity, and user experience. Based on literature study and qualitative analysis through critical incident method, this study conceptualizes three domains of product dimensions that may play a vital role in the higher user experience through convergent products usage i.e. (1) Performance (how well a product accomplish its purpose/functions as expected), (2) Coolness (how attractive and unique device is), and (3) Entertainment (how well a product helps consumer to achieve three motives of entertainment i.e. escapism, mood management and achievement). Two domains of product attributes conceptualize (i.e. performance and coolness) as a multidimensional construct. We propose user experience as a mediator between convergent product attributes and brand equity. In terms of contribution, this study should provide an indication to the designers and marketers of which convergent product dimensions are considered most important by the user and what is their relative significant on consumer-based brand equity dimensions i.e. brand association, perceived quality, perceived value, brand trust, and brand loyalty.

**Keywords:** *convergent product, brand equity, customer experience, entertainment, coolness*

## Introduction and Purpose of Research

The convergent product is a dominant paradigm of contemporary products (Gill and Lei, 2009; Gill, 2008; Kim et al., 2002). It is one of the fastest-growing product categories in consumer technology (Reinhardt, Tashiro, and Elgin, 2004). The boundaries between devices are disappearing rapidly due to convergence. (Han, Chung, and Sohn, 2009). A convergent product is a platform product that physically integrates two or more platform technologies into a common product form. Many organizations have shifted their strategic gears towards Convergent products. Examples consist of big giants like Apple and Samsung; they have adopted the convergence domain engine as their core weapon.

In spite of the rising significance of convergent products, there is comparatively little research from which the researcher and practitioner can comprehend the nature of consumer attitude toward convergent products. Existing convergent product literature has analyzed a restricted number of functionalities; as a result, they provide only limited

insights for designing convergent products, which have divergent functionalities. Further, the convergent product understanding reflects how designers perceive the product and not how the consumer perceives it. While developing a convergent product that has diverse functionalities integrated into one product, manufacturer and seller must scrutinize, how consumers perceive the combined types of diverse attributes and how they create a positive and negative experience. Few studies have developed conceptual framework of convergent product dimensions (Rindova and Petkova, 2007; Unknown, n.d.). These conceptual studies call for empirical examination.

Convergent products generate sustainable competitive advantage leading to superior bottom-line numbers like profits, RoA, etc. However, the contribution of superior customer experience derived out of convergent product dimensions in gaining those advantages has not been adequately empirically established. Few studies that attempt at understanding convergent product dimensions perception holisti-

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cally are insufficient. Particularly, there is hardly any such work that attempts to decode convergent product in a usage context, remaining limited to primarily purchase scenarios. Academic group, the Marketing Science Institute (Marketing Science Institute, 2011), suggests more research is required to comprehend convergent products. Every year, a huge number of new convergent products introduced in the market, but most of them fail to entice consumer, indicating that providing various functionalities in a single product may not essentially guarantee the favorable market outcome (Kim, Han, and Srivastava, 2002). Of all the marketing variables that have been empirically proven to be correlated to financial performance, the one that is strongest is consumer-based brand equity. Hence, by establishing the relationship between convergent products attributes and brand equity elements, this gap in understanding the effect of convergent product attributes on financial performance can be bridged.

Also, customer experience has traditionally been placed as a moderator in the relationship between product attributes and brand equity. However, product and user interaction is a key factor that determines the nature of customer experience. This view indicates that product attributes influence brand equity through their effects of customer experience. The extant research has paid little attention to these dimensions of customer experience. Hence, how and why customer experience mediates the relationship between product attributes and brand equity needs to be analyzed.

This research integrates three streams of literature. First, product attribute literature that focuses on product attributes in a generic context, convergent product implication on consumer preference specifically in the post-purchase situation. Second, brand literature deals with the concept of brand equity, its components, and different ways of measuring brand equity, antecedents, and consequence of brand equity. Third, customer experience literature, its components, and different ways of measuring customer experience, antecedents, and consequence of customer experience. This makes the work a novel attempt to integrate concepts of convergent product dimensions, customer experience, and brand equity.

Thus, the research objectives of the study are threefold:

1. Develop a holistic understanding of consumer perception of convergent product dimensions and its operationalization.
2. Examine the effect of convergent product dimensions perception on consumer-based brand equity.
3. Examine the mediating role of customer experience in the relationship between convergent product attribute on brand equity.

## Literature Review

The convergent products represent a renewed application of product bundling in the digital domain has been mainly explored for digital products (Kim, Han, and Srivastava, 2002; A. Kim and Ko, 2012). The converging product is a common way to enhance and differentiate a product (Moldovan et al.), which provides greater functionality for consumers.

Convergent products are currently getting more consideration (Gill, 2008; Gill and Lei, 2009; Han et al., 2009), although the concept itself nested within the earlier concepts of product bundling (Reinders and Frambach, 2010; Stremer-sch and Tellis, 2002) and multiattribute products (Mittal et al., 1994). Earlier, Consumers usually found “all-in-one” products to be more or less underperforming. With advancements in the areas of component miniaturization and digital processors, the market for a new wave of product bundling emerged (Freund, Konig, and Roth, 1997) and it is no longer limited to niche products. Notably, not many empirical studies on consumer evaluation of convergent product attributes exist; however, two conceptual studies come up with a product attribute taxonomy of multiattribute products (Horvath and Sajtos, 2002; Rindova and Petkova, 2007).

### **Dimensions of Convergent Products**

#### *Performance Attribute*

The performance embraces three subcomponents including usefulness, ease of use, and innovativeness of technology. As technology develops, the extent to which consumers perceive that a product is useful, easy to use, and/or innovative may change (Davis, 1989). Research demonstrates the significance of these three factors in improving competitive advantages by the favorable product performance (Davis, 1989; Rindova and Petkova, 2007)

*Usefulness* is defined as the extent to which a person believes that using a specific system would improve his or her job performance (Davis, 1989). Several researchers have provided evidence of the significant effect of usefulness on information system acceptance and usage (Davis, 1989; Pikkarainen et al., 2003).

*Ease of use* of a product is defined as its ability to address physical, cognitive, and emotional needs of intended users, in addition to the core need being satisfied (Babbar et al., 2002). Now, to deliver products that have technical excellence is not sufficient. Products should be easy to use and fit within the work practices, activities and context of the consumer. (Babbar, Behara, and White, 2002). Several authors argue that ease of use provides a mechanism to indicate product quality (Babbar et al., 2002; Brucks, Zeithaml, and Naylor, 2000)

**Innovativeness of technology** is the creativity and uniqueness of technical functions of the product, which differentiates the product from other products (Loiacono, Watson, and Goodhue, 2002). Innovations typically result from a change to or the elimination of product attributes or features within an existing category (Goldenberg, Mazursky, and Solomon, 1999).

#### *Coolness Attributes*

Cool is assumed to manifest itself in the consumer's mind as a perception that the brand or product is of a premium quality, distinctly different from what is currently available, and provides the user with a new experience (Kerner and Pressman, 2007). Coolness can be derived from both the attractiveness and the uniqueness of a device both are often necessary pre-conditions for cool (Levy, 2006). The attractiveness aspect of coolness encompasses both the aesthetic appeal and a socially accepted notion of style (Sundar, Tamul, and Wu, 2014).

**Aesthetic** is considered as the reaction to the total image of the product in which user perception of the intrinsic attributes of the product and the affective response to these cues are integrated (Hassenzahl and Tractinsky, 2006). The attractiveness of the product appearance positively affects products' apparent usability (Hassenzahl and Tractinsky, 2006; Mugge and Schoormans, 2012). The aesthetic properties of a product, derived from its formal (Bloch, 1995) cause both visceral sensory reactions and secondary cognitive and emotional reactions.

**Originality** or uniqueness refers to the degree to which users believe that a technological product is substantively, functionally, or aesthetically different from others of a similar nature (Sundar, Tamul, and Wu, 2014). Products with stylish designs, intuitive interfaces, distinct functions, or simply interesting names are perceived as unique. Possessing such products allows individuals to look and feel different from others without risking significant social discomfort or conflict, thereby satisfying the counter-conformity motivation (Nail, 1986).

#### *Communication Attribute*

**Self-expression** Communicative power is an important convergent product attribute. Horváth and Sajtos (2002) observed that products hold messages that are significant to a specific group and that its user wants to communicate about himself. Self-expression denotes how and to what extent consumers use a product in order to showcase their own identity and values to others (Thorbjørnsen and Pedersen, 2007). We can employ consumption symbolically to obtain a sense of belonging to a variety of "imagined communities" (Anderson 1983). Taylor and Harper (2003) describe mobile phones as

an instrument in "family differentiation and symbol of individuality," and Weilenmann and Larsson (2000) claim that the use and adoption of mobile services have the meaning of "social identifiers and a self-identifier." As such, technology products reflect personal lives, and deliver symbolic meaning that enables the expression of private experiences.

#### *Entertainment Attribute*

**Entertainment**, The quest for entertainment is not a new phenomenon. Recently, a huge number of entertainment products are flooding the market; It will increase many folds in the future, and there is no lessening in the user's appetite for new entertainment experiences (Wolf, 1999).

Different concepts have been used to explain the importance of entertainment in predicting consumers' adoption of a new product/technology: Fun (Bruner and Kumar, 2005), Enjoyment (Pagani, 2004) Perceived Playfulness (Padilla-Meléndez and del Aguila-Obra, 2013), and Perceived Enjoyment (Hwang and Kim, 2007). At the core of this entertainment experience, most researchers have located certain characteristics that are usually linked to positive terms such as pleasure, enjoyment, and even delight (Chitturi, Raghunathan, and Mahajan, 2008; Creusen and Snelders, 2002; Vorderer, Hartmann, and Klimmt, 2003). Vorderer, Klimmt, and Ritterfeld (2004) recognized three motives of entertainment i.e. escapism, mood management, and achievement.

#### *Customer Experience*

Customer experience is explained as a set of interactions between a customer and a product or part of an organization, which provokes a response (Britton and LaSalle, 2003). Today, customers take functional features and benefits, product quality, and a positive brand image as a given. What they want are products that awe their senses, touch their hearts, and trigger their minds and deliver an experience (Schmitt, 1999). Customer experience is an improved way to consider the familiar notion of consumption: Now, it is a comprehensive experience involving a person rather a customer in totality at distinct levels and in every interaction between that person and company, or a company's product and services. (Prahalad and Ramaswamy, 2004). Customer experience involves cocreating their exclusive experience with the company (Prahalad and Ramaswamy, 2004). Organizations provide favorable artifacts and contexts which consumers employed to cocreate their own, distinct experiences. Cocreation is integral to an outstanding customer experience. Gentile, Spiller, and Noci (2007) modified Schmitt (1999) customer experience measurement with the pragmatic experience dimension and formed comprehensive customer experience dimensions with six experiential components: a sensorial component (sense); pragmatic component; lifestyle component (act); emotional component



(feel); cognitive component (think); and relational component (relate). Customers perceive each experience component as an intricate feeling, and each component as being hardly distinguishable from the others; sometimes there are relevant coinciding areas and clear interrelations.

### Brand Equity

Brand equity has traditionally been viewed in literature from two perspectives. While the traditional perspective understands it as a concept disjointed from the product (Aaker, 1996) and utility over and above the product, there is a holistic view that sees brand equity and product attributes as one entity (Styles and Ambler, 1995). However, the reality is that there are products in the market that sell even without a brand. Also, the core function of a brand is reflected in the attributes that are present in the product, implying a serial and not a parallel relationship between the two. Consequently, we adopt the former perspective and consider the disentangled view of product and brand, formalizing brand equity as defined by Aaker (1991) and subsequently improved and operationalized by other researchers.

Scanning through the various definitions of brand equity starting from Farquhar (1989) to Rauyruen, Miller and Groth (2009), the only study that develops brand equity from a mobile phone perspective is that of Liaogang, Chongyan and Zi'an (2007), where they have considered only brand loyalty, perceived quality, and brand association. However, that does not imply that these four comprehensively represent brand equity in our context. For example, brand trust has been studied alongside brand loyalty in various contexts (Chaudhuri and Holbrook, 2001). Similarly, perceived value has been undertaken as a component of brand equity in a variety of studies with related context (Aaker, 1996; Nete-meyer *et al.*, 2004; Tolba and Hassan, 2009).

### Methodology

The study has taken smartphones as a representative for convergent products, as in modern times; they represent the epitome of convergence with a balanced effort on all aspects of product attributes from the developers. India will get past the US as the second largest market for smartphones in the world by 2016. As per a report, the no of smartphone users in India will be 204 million. Thus, it makes it tremendously interesting to study this particular category from a consumer perspective.

An exploratory research design adopted to identify convergent product dimensions and its effect on consumer-based brand equity. The qualitative studies were conducted in two phases- the first phase composed of 5 FGDs to understand convergent product perception. The second phase used the triangulation method of 30 in store observation, 15 conventional in-depth interviews and gamified in depth 20 interview done

to zoom in the attributes for convergent products as well as highlighting the link of convergent product attributes to customer experience and brand equity. Consumers were probed about their experience with the smartphone and that what attributes shaped those experiences. Finally, they were probed on different dimensions of brand equity like recall, trust, loyalty, etc. The FGDs and Interviews helped generate a long list of convergent product attributes which consumers felt were critical. These attributes were clubbed into the four convergent product dimensions by the critical incident technique.

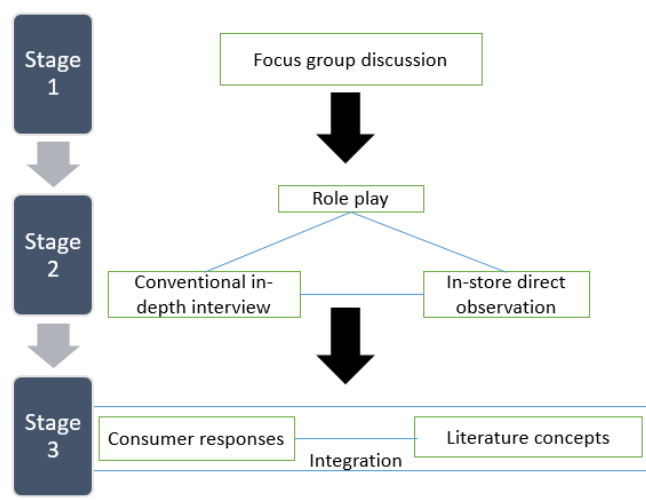
### Analysis

The analysis of focus group discussion through critical incident technique, we got nine critical factors. Data analysis using CIT has been carried out in two different ways in extant literature: (a) to identify distinct "critical incidents," where each respondent's experience is treated as a critical incident; and (b) to identify distinct "critical factors," where each respondent's experience is considered as an accumulation of a number of critical factors. We are using the second approach in this study. Two judges with ample expertise in consumer behavior arranged the responses into separate categories; they identified critical factors, which led to positive and negative experience. Judges were unaware of the study objective. Nine critical factors emerged from the study. Inter-rater agreement was 84.2%. In the next phase, the judges met to compare the classifications, and the disagreements were resolved.

### Convergent Product Performance and Customer Experience

The significant effect of usefulness and ease of use on product acceptance and usage has been established by researchers (Davis, 1989). The surge in innovation makes it possible to

Figure 1



**Table 1.** Critical Incident Technique Results Analysis

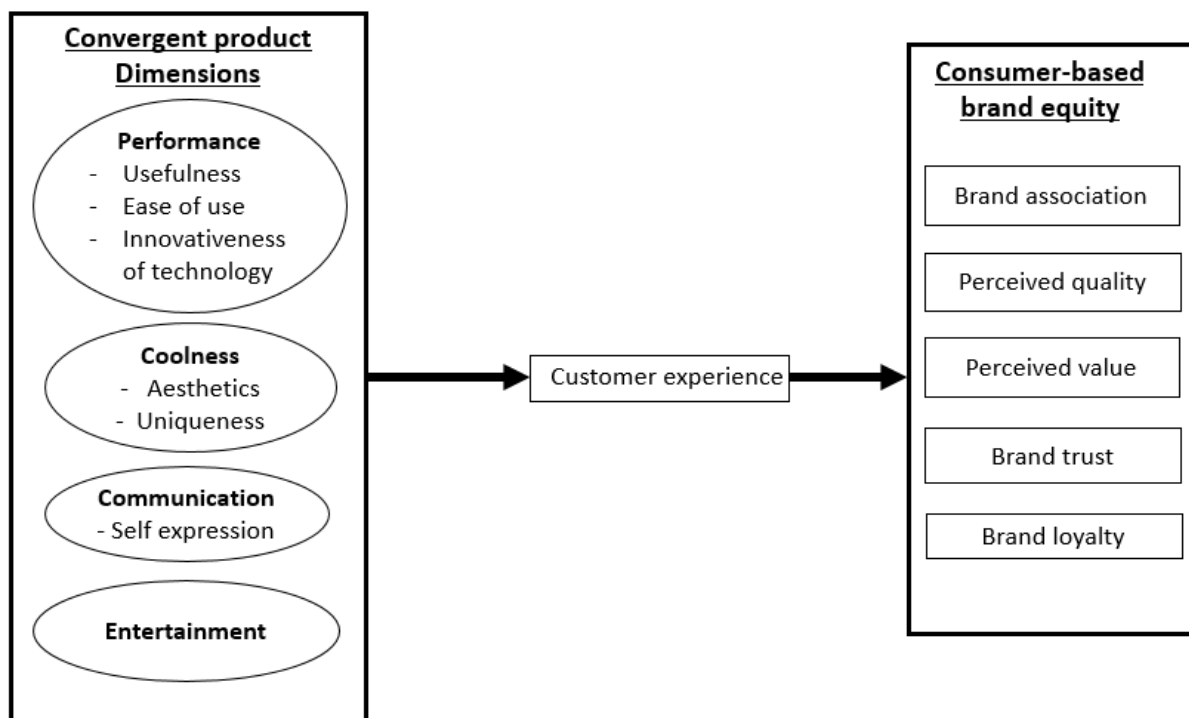
Critical Factors	Positive Incident (%)	Negative Incident (%)
Performance		
Usefulness	10.37	3.70
Ease of use	6.67	5.19
Relative Advantage	2.22	1.48
Mobility	1.48	0.00
Technology innovation	5.93	5.93
Coolness		
Aesthetics	11.11	6.67
Originality	2.96	0.00
Communication		
Self- expression	6.67	6.67
Sub-culture appeal	2.22	0.74
Entertainment related	11.85	8.15
<b>Total = 100 %</b>	<b>61.48</b>	<b>38.52</b>

enhance the experience of various products and derived services (Tomala and Senechal, 2004). The performance embraces three subcomponents including usefulness, ease of use, and innovativeness of technology. As technology evolves, the consumer perception of the product usefulness, ease to use, and innovative may change (Davis, 1989). Prior research indicates the significance of these three factors in improving competitive advantages for the favorable product performance (Davis, 1989; Rindova and Petkova, 2007). We, thus, propose:

*P1: Higher convergent product performance will cause a better customer experience.*

### ***Convergent Product Coolness and Customer Experience***

The attractiveness and uniqueness are often necessary pre-conditions for product coolness (Levy, 2006). The attractiveness aspect is partly rooted in the product aesthetics. Postrel (2002) indicates that often the only way to differentiate a product and enhance customer experience is the use of aesthetics as a distinguishing factor. Uniqueness is the

**Figure 2.** Conceptual Model



degree to which users perceive a product substantively different from comparable devices (Sunder, 2014). Cool is conceptualized in the consumer's mind as a perception that the brand or product is of a premium quality, sharply different from what is available in the market, and provides the user with a new experience (Kerner et al. 2007; Levy, 2006). We thus propose:

*P2: Higher convergent product coolness will cause a better customer experience.*

### **Convergent Product Communication Dimension and Customer Experience**

Users unconsciously and sometimes consciously realize that their possessions are not different to their sense of the self (Belk, 1988). Products possession and usage helps a consumer to define and express his identity. The use and adoption of technology products have the hint of social identifiers and a self-identifier (Weilenmann and Larsson, 2000). As such, convergent products reflect consumer identity and deliver symbolic meaning that enables the expression of personal experiences. We thus propose:

*P3: Higher convergent product communication perception will cause a better customer experience.*

### **Convergent Product Entertainment Dimension and Customer Experience**

Wolf (1999) claims that entertainment is rapidly becoming the propulsive wheel of the new world economy. The essence of the entertainment is a "pleasant" experiential state, which includes physiological, cognitive, and affective components (Vorderer et al. 2004). Most researchers have located customer experience at the core of entertainment, (Bosshart and Macconi, 1998). Entertainment is first and foremost a way to build a brand image by enhancing a customer's experience" (Wolf 1999, pp. 80–81). We thus propose:

*P4: Higher convergent product entertainment perception will cause a better customer experience.*

### **Customer Experience and Brand Equity**

The product is a source of experience for the consumer. According to the categorization theory (Sujan, 1985), brand categorizations takes place only after the user has experienced the product. The same is expressed by schema theory (Lurigio and Carroll, 1985). Thus going by theoretical logic, customer experiences with products mediate the relationship between the product attribute perception and brand equity. Product experiences also facilitate the creation and reinforcement of brand associations (Chang and Chieng, 2006). Consumer product experience has also been found to affect

perceived quality (Biedenbach and Marell, 2010). Product attributes create emotional bonds with consumers leading to loyalty (Garret, 2003). We thus propose:

*P5: Better derived customer experience will lead to a stronger consumer based brand equity.*

## **Results**

Based on literature survey and qualitative study analysis, this study conceptualizes three domains of product dimensions that may play a critical role in the better derived user experience through convergent products: (1) Performance (how well a product accomplish its purpose/functions as expected), (2) Coolness (how attractive and unique device is), and (3) Entertainment (how well a product helps consumer to achieve three motives of entertainment i.e. escapism, mood management and achievement). Two domains of product attributes conceptualizes (i.e. performance and coolness) as a multidimensional construct consisting of subcomponents i.e. performance have three subcomponents including usefulness, ease of use, and innovativeness of technology, while aesthetics, self-expression and uniqueness explain coolness attributes of technology products. Thus, this study proposes three dimensions of convergent product:

1. Performance (ease of use, usefulness, innovativeness of technology),
2. Coolness (aesthetics, uniqueness, self-expression),
3. Entertainment.

We also found that it is the user experience, arising as a consequence of convergent product dimensions that can lead to consumer-based brand equity. The proposed model thus sees user experience as a mediating factor when it comes to the relationship between convergent products attribute and brand equity.

Reliability and validity of the findings within the realism paradigm are maintained by two criteria i.e. auditability and triangulation (Healy and Perry, 2000). Auditability has been retained by reproducing original quotes of the respondents while triangulation has been followed to the world by conducting three qualitative processes simultaneously for better results (Campbell & Fiske, 1959). The three studies were completed over a period of three months lasting between August 2015 and October 2015.

## **Implications**

This study developed a comprehensive framework that entails convergent product dimensions and the effect of those dimensions of user experience that in turn creates posi-

tive brand equity. The study should provide a cue to the designers and marketers equally, what convergent product elements are considered essential by the user as well as their contribution in the market success of a particular model. The results thus can also be used as a predictive tool to ensure the success of a particular convergent product that provides different levels of each dimension of the convergent product. By studying the effect of individual characteristics on design preference and effect on experiences, designers can also optimize the user experience of the convergent product, thus leading to continued patronage of the product.

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# Tweets, Retweets, and Brand Positioning of the 2016 U.S. Presidential Candidates

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**Keywords:** *Twitter, politics, branding, text analysis*

**Description:** *This study applies text content analysis to analyze differences in Twitter usage by insurgent and establishment U.S. Presidential candidates throughout the 2016 primary season.*

## EXTENDED ABSTRACT

### Research Question

This paper explores two central research questions regarding a political candidate's social media presence and their "brand" through an analysis of their Twitter content. First, what are the differences in tweet sentiment and word choice between insurgent and establishment U.S. Presidential candidates on Twitter? Second, does tweet sentiment and word choice affect the virality of presidential candidates' tweets?

### Method and Data

We collected all candidates' tweets from their presidential bid announcements to the date they formally withdrew, or until May 31, 2016. U.S. Presidential primary candidates' tweets were scraped using the WebHarvy visual web scraper and processed using the Linguistic Inquiry and Word Count (LIWC2015) text analysis tool. The twelve Republican candidates and three Democratic candidates were categorized as insurgent (four candidates) or establishment (11 candidates) depending on whether or not they held public office with their political party prior to the presidential primary. For the 23,068 tweets, we examined tweet content related to affective processes, drives and motivations, and gender references. The affective processes dictionary observed positive and negative emotion (among other traits), while the drives dictionary examined affiliation, achievement, power, reward, and risk. To test for content differences between insurgent and establishment candidates, we conducted a multivariate analysis of variance (MANOVA). To examine virality, we used an ANOVA model to test for the relationship between sentiment and word choice and the number of retweets. The number of a candidate's followers was used as

a control variable. In addition, a similar model was used to test for specific differences in Donald Trump's and Hillary Clinton's tweets.

### Summary of Findings

We found that insurgent candidates are more likely than establishment candidates to express both positive and negative emotion ( $p = 0.000$ ) and gender references ( $p = 0.000$ ). Establishment candidates were significantly more likely to express affiliation ( $p = 0.000$ ). Our analysis found that Republican presidential nominee Donald Trump is a strong representation of an insurgent candidate, and Democratic presidential nominee Hillary Clinton is a strong representation of an establishment candidate in that their tweet content patterns were similar to other insurgent and establishment candidates. Although establishment candidates were generally less likely to refer to gender, a differentiator in Twitter content between Clinton and Trump was Clinton's propensity to include female gender references.

With regard to virality, we found that negative emotion has a stronger positive relationship with retweets than positive emotion. Specifically, for every 1% increase in negative emotional words such as "sadness" and "anger" in the candidate's Tweets, there are, on average, an additional 61.55 retweets ( $p = 0.000$ ). However, we did not find statistically significant evidence of a relationship between positive emotion and retweets ( $p = 0.078$ ). Gender references appear important since every 1% increase in female references resulted in an additional 39.82 additional retweets ( $p = 0.000$ ).

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## Key Contributions

This study contributes to our knowledge of insurgent and establishment political brand behavior on social media, and the relationship between tweet content and virality. We find evidence for sentiment and word choice differences between insurgent and establishment candidates on Twitter, including Republican insurgent candidate Donald Trump and Democratic establishment candidate Hillary Clinton. Our evidence suggests insurgent candidates are more likely to use words expressing positive emotion than establishment candidates, and even more likely to express negative emotion such as anger, and sadness. Insurgent candidates also are more likely to refer to gender.

We found several instances where tweet sentiment and word choice affect retweets. Negative sentiment in tweets does

drive people to share a candidate's message while positive sentiment does not. There is also a strong positive relationship between female references and retweets. The findings from this research provide multiple opportunities for future studies of the language used by insurgent and establishment brands, both in politics and the realm of corporate brands. Language use affects tweet virality for political brands, and future research can explore this effect for other consumer brands. This research offers insights for insurgent brand marketers in their efforts to encourage consumer engagement and word of mouth.

*References are available on request.*



# Does Perceived Personalization Necessarily Enhance Customer Brand Relationship? A Partial Least Squares Path Modeling Approach

*Trang P. Tran, State University of New York at Oneonta*

**Keywords:** *personalized advertising, Facebook, PLS-SEM, cluster analysis, mediation*

**Description:** *The study explores how perceived personalization affects customer brand relationship through mediation effects of consumer brand engagement and consumer brand identification.*

## EXTENDED ABSTRACT

### Research Questions

1. Develop a comprehensive model that underlines the role of perceived personalization of a brand ad on Facebook with regard to customer perception about the brand.
2. Test hypothesized relationships using data collected through an online survey.
3. Develop appropriate customer segments based on personal views of personalized ads on Facebook.

### Method and Data

This research used partial least squares (PLS) path modeling analysis using SmartPLS 3. PLS approach is a statistical technique designed to assess and evaluate estimated parameters in a complex, multivariate relationship between observed and latent (unobserved) variables. This approach is more favorably selected in path analysis than covariance based approach (i.e., LISREL or AMOS) because it is not strictly bound by an assumption of normal data distribution. Additionally, PLS is preferred because it is applicable when used to estimate the mediation effect in the model which is considered relatively complicated in covariance-based counterparts.

All measurements were adapted from existing literature. The measurements used 7-Likert scales with 1 being “Strongly disagree” and 7 “Strongly agree.” Out of the sample of 422 responses collected from an online customer panel were 309

completed observations that met requirements. The results showed that the respondents were relatively young (52.1% within 20 and 30 years old), relatively equal in terms of gender (female: 53.72%), more presented by nonstudents (71.2%), well educated (50.81% having bachelor degrees), active on Facebook (49.19% spending 1 to 3 hours a day), and having medium income (30.42% having family income of \$40,000–\$79,999).

### Summary of Findings

Path coefficients and their significant values were used to test the hypotheses. The results show that perceived personalized ads have significant impact on consumer brand engagement ( $\beta = 0.876$ ,  $p < .01$ ) (or H1 is supported), and consumer brand identification ( $\beta = 0.180$ ,  $p < .05$ ) (H2 is supported), consumer brand engagement has significant impact on consumer brand identification ( $\beta = 0.697$ ,  $p < .01$ ) (or H3 is supported), consumer brand identification has significant impact on brand relationship ( $\beta = 0.759$ ,  $p < .01$ ) (or H5 is supported), brand relationship has significant impact on brand loyalty ( $\beta = 0.861$ ,  $p < .01$ ) (or H6 is supported), brand relationship has significant impact on brand usage intention ( $\beta = 0.370$ ,  $p < .01$ ) (or H7 is supported), brand loyalty has significant impact on brand usage intention ( $\beta = 0.458$ ,  $p < .01$ ) (or H8 is supported). In other words, eight hypothesized relationships are supported. But the impact consumer brand engagement has on brand relationship is not significant ( $\beta = 0.078$ ,  $p > .05$ ) (or H4 is not supported).

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Mediation tests using lend evidence that consumer brand engagement and consumer brand identification serve as full mediators of the effects of perceived personalization on brand relationship (Variance Accounted For = 91.26%).

### **Key Contributions**

The paper has developed a comprehensive model that captures the relationship between how a personalized brand advertisement affects brand relationship through consumer brand engagement and identification and how brand relationship impacts brand loyalty and brand usage intent. Results collected from an online consumer panel revealed that all hypothesized relationships are supported. In addition, mediation tests confirm mediation effect of consumer brand engagement and consumer brand identification on the relationship between perceived personalization and brand

relationship. Based on the results of cluster analysis, three potential market segments (i.e., Ad Haters, Ad Adjusters and Ad Lovers) have emerged based on respondents' perception germane to latent variables including perceived personalization, consumer brand engagement, consumer brand identification, brand relationship, brand loyalty, and brand usage intent.

This research is among the first wave of research developed in response to the application of new advertising technology as part of integrated efforts between IBM and Facebook to see whether perceived personalization in advertising changes customer's perception about a brand being advertised on Facebook.

*References are available on request.*



# A Data-Driven Approach to Understand Online Shopping Types and Purchase Behavior by Gender

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**Keywords:** *online consumer journey, clickstream analysis, gender differences, e-commerce*

## EXTENDED ABSTRACT

### Research Questions

This paper extends existing research on online consumer behavior and addresses the effect of gender on shopping types and the relationship with purchase and post-purchase behavior. Specifically we aim to answer the following two questions:

1. How do online consumer shopping types differ in regards to transactional-related behavior (purchase and post-purchase behavior)?
2. Does gender as one of the main physiological determinants has a relevant influence on transactional-related behavior of online consumer shopping types?

### Method and Data

We develop a typology of online shoppers based on their inherent shopping goal derived from individual-level off-site clickstream data, as it gives insights into the overall decision-making process of consumers on their path to purchase or non-purchase. To do this we use a large-scale data-driven empirical approach using a unique and rich panel dataset of real online consumer behavior from our corporate research partner with 1.6 million converting off-site clickstreams from five European countries: Germany, Italy, Poland, Sweden and the United Kingdom. The main methodologies used are k-means clustering algorithm by Hartigan and Wong (1979) and further nonparametric statistical Kruskal-Wallis-Test (Hollander and Wolfe 1973) to test for significance of cluster results.

### Summary of Findings

This study seeks to advance purchase decision-making theory and relies on information retrieval research and

involvement theory to develop a conceptual framework based on clickstream behavior metrics in order to identify shopping types of consumers. Findings show that consumers with higher level of shopping involvement have higher basket sizes and higher return rates. For females this effect is even more pronounced: Females due to their high involvement and relatively high share of hedonic shopping behavior show higher basket sizes and higher return rates per order compared to their male counterparts, pointing to the fact that women tend to engage in greater shopping elaboration processes.

Our insights can help marketers to identify optimization potential in regards to a personalized web experience or targeted advertising by individual shopping type and gender.

### Key Contributions

We present a unique and interdisciplinary guideline in developing a typology of online shoppers by operationalizing metrics from individual-level clickstream patterns. With this we extend the existing literature on purchasing behavior effects by a new and novel approach. Further, our empirical results offer e-commerce firms consumer behavior insights to better manage customer journeys by shopping type as well as individual gender characteristics. Therewith helping marketers to identify optimization potential in regards to more effective personalized web experience or targeted advertising activities in order to achieve higher conversion rates and ultimately more loyal customers.

*References are available on request.*

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# An Individual-Level Examination of the Antecedents and Consequences of Social Media Use

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**Keywords:** *social media use, social presence theory, subjective wellbeing, augmentation hypothesis, structural equation modelling*

## EXTENDED ABSTRACT

### Research Questions

The tremendous increase in the use of social media over the last few years has generated immense interest in the phenomenon in both research and practice. This necessitated the investigation of the antecedents as well as consequences of social media use, and the moderating effects of consumer demographic variables (age and gender). A quantitative approach is adopted in critically examining the individual level factors that influence social media use and their consequences drawing from the social presence theory (SPT). In light of this, the following research questions are addressed:

1. What are the relative effects of individual level antecedents on social media use and their consequences?
2. Do personal demographic variables moderate the relationships between the antecedents and social media use?

### Method and Data

An online survey design with a structured questionnaire was used to obtain measurable and objective data from respondents so as to better understand the phenomenon. Prior to the main study, a pilot study was conducted to fine-tune the questionnaire. The online questionnaire was uploaded using the “Survey Monkey” software. A link to take the survey was sent directly to 1,519 contacts on the following social media: Facebook, Instagram, Twitter and LinkedIn. WhatsApp was used to resend links, whenever a respondent had trouble accessing the link on the other social media. 696 of the 1,519 purposively selected responded to the survey, rep-

resenting a response rate of 45.8%. A data cleaning exercise using SPSS 23 resulted in 640 useable questionnaires. EFA and CFA were also conducted, and further analysis established that reliability and validity measures were all satisfied. The model was estimated using structural equation modeling (SEM) using AMOS 23. Multigroup analysis was conducted using AMOS 23 to test for the moderation effects of age (young, old) and gender (males, females).

### Summary of Findings

This study provides empirical evidence into some key antecedents of social media use and the resulting consequences. The results suggest a positive relationship exists between the pressure from a social media user’s referents to use social media, and actual social media use.

More surprisingly, we found no significant effect of personal values on social media use, suggesting that users’ personal values do not in any way directly influence their social media use. This finding could be attributed to other underlying factors; for instance, the buzz about social media use and social inclusiveness could easily attract consumers. We also tested two key consequences of social media use and the findings supported the respective hypotheses. The results indicate a positive significant relationship between social media use and bridging social capital as well as subjective wellbeing.

We also tested for the moderating effect of consumers’ demographic variables (e.g., age and gender) and all the hypotheses (H5-H9) were rejected indicating that age and

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gender do not have any moderating effects in our model. The nonsignificant chi-square difference test suggests that invariance was established across the subgroups (young and old consumers, as well as male and females), and therefore, these demographic variables cause similar effects in the use of social media.

### **Key Contributions**

This paper contributes significantly to the literature on social media use; specifically social media use antecedents and consequences. It extends previous conceptual work (e.g., Bolton et al., 2013) by empirically evaluating some pertinent antecedents of social media use (personal values and external pressure) that have received little attention in research. The relative effects of these antecedents are illuminated, employing the social presence theory, which ensures that the study departs from the norm of using TRA or TAM.

We also contribute to the very few studies that adopt a holistic approach to the study of social media. From this holistic

approach, our work is the first to empirically examine the antecedents and consequences of social media use from the individual consumer level, and how these are moderated by their demographic variables. Finally, we contribute to the augmentation and displacement hypotheses of computer-mediated communication and tend to support the augmentation hypothesis.

Social media has become more relevant than ever for the field of marketing and for that matter, organisations. This study provides practitioners with insights into consumer's use of social media. It is established that external pressure drives social media use, which suggests that consumers' referent groups are influential in their use or nonuse of social media. Thus, as consumers use social media with avidity, marketers should employ techniques that would arouse interest and curiosity to attract the attention of social media users.

*References are available on request.*

# From Mobile to Mo-Angry: Consumer Mobile Device Usage and Impulsive and Aggressive Trait Behaviors

*Jared Hansen, University of North Carolina at Charlotte*

**Keywords:** *mobile usage, texting, tweeting, Facebook, consumer personality, impulsiveness, aggression, provocation*

## EXTENDED ABSTRACT

While mobile devices holds enormous potential for instantaneous communication between firms and customers, For example, the Pew Research Center recently estimated that there are now more than eight trillion text messages sent a year—equaling 250,000 text messages *every second*. And it is not just adults who are texting; a recent study of school children reports that 90 percent of middle school children used cell phones to text message (Englander, 2011). Twitter has released data that its users collectively now send over 400 million tweets *per day*. And Facebook has recently stated there are over 665 million *daily* active Facebook users. Thus, whether it is children in schools or parents at home or in the workplace, a large part of the population now spends their time using mobile devices to text, tweet, and post status updates (Billieux, 2012; Hafner, 2009; Sheldon, Abad, and Hinsch, 2011).

While the shift in time spent has raised excitement among researchers, it also raises a very important and interesting (yet unaddressed) question—can spending this increased time communicating through texting, tweeting, or posting have any negative effects on human personality traits? The effect of more established, “traditional” media (such as television) on personality has been discussed by psychologists for decades. It was proposed that television would change communication from information to entertainment with effects on people’s psychic habits (Postman, 1985). Subsequent research indicated a concern regarding potential connections between television and attention problems; it is often concluded that the overwhelming number of quick information expositions on television deteriorates a person’s power to concentrate, resulting in a shorter attention span and thus increased impulsiveness (Beentjes and Van der Voort, 1989;

Christakis, Zimmerman, DiGiuseppe, and McCarty, 2004; Heim, 1993; Neuman, 2010; Shin, 2004). These findings could be viewed as impetus for a call for needed marketing research on the potential impact of recently available near instantaneous communication mediums. For example, consider the increased (a) brevity and (b) frequency of exchange of messages through tweets, text messages, and Facebook wall postings. And we must also consider the noted increase in aggression across many societies (e.g., Krahé, 2013).

In this research it is proposed that increased usage of texting, tweeting, posting results in stronger impulsivity (i.e., cognitive instability, motor impulsiveness, lack of self control, lack of cognitive complexity, lack of attention, lack of perseverance), which results in being more easily provoked (i.e., resentment, locus of control, threat to self-esteem, frustration, rejection), which results in greater aggression (anger, hostility, verbal aggression, physical aggression). And anxiety, moderated by self-esteem, explains part of the process of the usage-impulsiveness relationship.

## Conceptual Background

In the current research it is hypothesized that increased usage of near instantaneous communication (texting, tweeting, Facebook posting) is associated with an increase in impulsiveness; the logic draws upon research on television and impulsiveness that concludes that a shortened nature of information exchange would deteriorate a person’s power to concentrate, resulting in a shorter attention span, and thus increased impulsiveness (Beentjes and Van der Voort, 1989; Christakis et al., 2004; Heim, 1993; Neuman, 2010; Shin, 2004). It is proposed that the same type of relationship could exist for texting, tweeting, or Facebook posting.

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It is proposed that part of the underlying process is that anxiety about missing additional communication arises from increased usage of texting, tweeting, and Facebook posting (Billieux, 2012; Hafner, 2009; Sheldon, Abad, and Hinsch, 2011), and the anxiety, in turn, increases impulsiveness (Apter, van Praag, Plutchik, Servy, Korn, and Brown, 1990; Bellani et al., 2012). It is also proposed that the effect of anxiety is moderated by self-esteem—with the effect being greater for individuals with lower self-esteem (Leary, Tambor, Terdal, and Downs, 1995; Sowislo and Orth, 2013).

Combining streams of psychology research focused on particular personality traits, it is also hypothesized that increases in impulsiveness can result in increased provocation (Apter et al., 1990, Buss and Perry, 1992; Hynan and Grush, 1986; Joireman, Anderson, and Strathman, 2003; Leary et al., 1995; Luengo, Carrillo-de-la-Pena, Otero, and Romero, 1994; Zuckerman, Kuhlman, Joireman, Teta, and Kraft, 1993).

And, in turn, it is hypothesized that increases in provocation results in increased aggression (Bettencourt and Miller, 1996; Novaco, 1976). Thus, increases in texting, tweeting, and Facebook usage ultimately results in increased aggression.

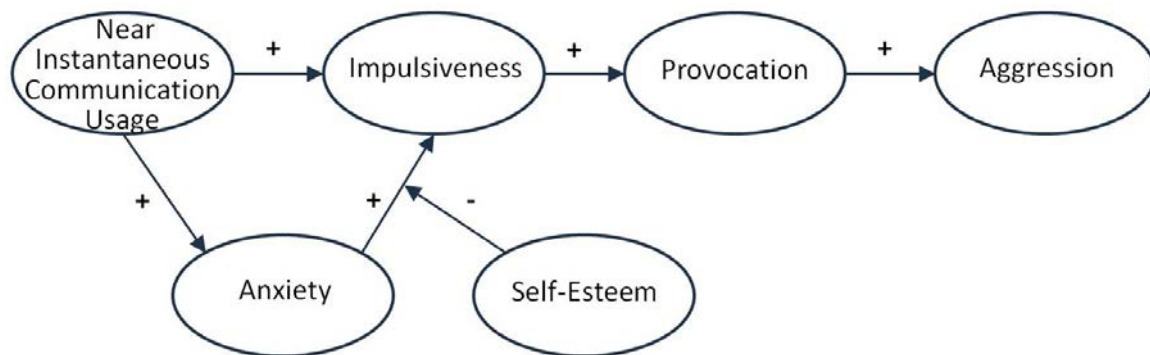
Given concern on aggression in society (Krahé, 2013), these hypotheses are important to examine. The hypotheses are shown in the theoretical model contained in Figure 1.

## Conclusions

Near instantaneous communication technologies such as texting, tweeting, posting have been widely adopted and will likely be used even more in the near future (Sheldon, Abad, and Hinsch, 2011). The purpose of this research was to outline how increased usage of these communication technologies by consumers might be associated with the development of negative personality traits. The prevalence of texting, tweeting, and Facebook posting usage—in light of the theorized significant positive associations with increases in impulsiveness, provocation, and aggression—should be of great concern to marketing researchers. A central focus for researchers should be to design appropriate assessment tools to help formulate treatment and evaluate progress of negative trait development arising from such usage. It is also important for additional research to investigate (a) factors that influence the usage level of near-instantaneous communication and (b) factors that could moderate the connections between impulsiveness, provocation, and aggression. In summary, research and policy should be aimed at helping people use the near instantaneous communication platforms wisely so consumers can realize the benefits from the interface without becoming more impulsive, more easily provoked, and more aggressive (e.g., hostile, angry, violent).

*References are available on request.*

**Figure 1.** A Proposed Model Showing the Associations Between Near Instantaneous Communication Usage (Texting/Tweeting/Facebook Posting) and Resulting Personality Changes



# Competitive Versus Complementary Effects in Online Social Networks and News Consumption: A Natural Experiment

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**Keywords:** *online content, social networks, Facebook, natural experiment*

## EXTENDED ABSTRACT

Despite the discussions in the field of communications, a clear consensus on whether online social networks compete for users' time or instead complement news publishers' does not yet exist. To the best of our knowledge, no empirical work using online traffic data attempts to determine how online social networks are associated with content consumption on third-party websites. Do social networks perform a function similar to news aggregators? How does this relation differ from that between news sites and news aggregators? Does the exposure to content on social media generate spillover effects above and beyond referral traffic from these sites? These very important questions need to be addressed in order to develop a case for (or against) attracting advertising revenues via online social networks and to help develop social media strategies.

We contribute to the literature on online content consumption, news aggregators and communication studies by analyzing news browsing data in the backdrop of a global Facebook outage. The outage lasted approximately four hours and hit Western Europe in the early morning of October 21, 2013. During the outage, users were not able to add any updates on Facebook including posting links (including news stories) nor could they comment on existing posts. The Facebook outage constituted an exogenous shock and it was unprecedented, making it an ideal natural experiment to assess the changes in traffic and readership due to lack of Facebook activity.

For our study, we collected hourly traffic and readership data for site visitors of a large news website before, during, and after the outage, enabling us to test the effect of the outage

on traffic and readership at this focal site during and after the outage. We note that, through this event study, our aim is not to assess long-term substitution patterns in news consumption. Instead, our objective is to analyze the short-term dynamics in online news consumption (during and up to a day after the outage) due to Facebook unavailability. We use the exogenous variation in traffic and readership due to the outage to identify the existence of potential contemporaneous complementarities and competition between Facebook and news sites and to identify potential mechanisms of influence that would otherwise not be visible. We also obtained additional data from two other less popular news websites from the same country and tested to see if our results are robust and generalizable to other news outlets. Because the impact of the outage may or may not impact other online activity and users may be busy trying to solve or understand the Facebook outage, we also collected hourly traffic data from a network of four e-commerce websites and two technology-related blogs to serve as controls, allowing us to determine the importance of Facebook for online news consumption compared to other types of online venues.

Our results suggest that online social networks are positively associated with news reading. During the outage, we observe an immediate and significant decrease of 38% in site visitors and 44% in page views, which corresponds to a loss in advertising revenue of more than \$21,000 in just over a day. The decrease in traffic and page view lasts beyond the immediate hours of the outage, and we observe a negative impact (albeit a reduced one) at least one day after the outage, which in turn is consistent with a potential carry-over effect. We find the same effects for other two (less popular)

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news sites from the same country but we find no impact of the outage on the e-commerce website and the technology blogs. The fact that other sites did not register changes in traffic provides further evidence that news and social media share a unique relationship and, despite fulfilling similar needs for entertainment and informational content, social media and news sites seem to share important synergies.

We also find that referrals from Facebook (typically used to measure websites' dependence on the online social network) grossly underestimate Facebook's impact on news sites in particular, and content sites in general. For our focal news website, and for the two minor news sites, traffic lost was far larger than the typical number of referrals arriving at the website. Instead, we find that the loss of traffic arriving via search engines and by directly typing the website URL on the browser was far greater in magnitude than referrals. This indicates that Facebook has spillover effects via other online platforms due to the complex mechanism driven by exposure to social conversations and content curated by friends.

Only an event study of a global outage like the one we investigate could allow us to uncover these effects.

We also report that social networks influence the browsing behavior at the news site. For example, during the Facebook outage, we observed a significant increase in articles read per user, and a decline in home page views per user. Home pages include titles and very short descriptions of the content of each article, and are not often associated to the links posted on Facebook. This could mean that, during the outage period, once at the site, users immerse themselves in more in-depth perusal of content pages while consuming fewer headlines. In this vein, our results are similar to the recent research on news platforms influencing not only traffic but also the type of content consumed at news sites. We further note that this result is not simply due to a heightened interest in the news about the outage itself, as the article discussing the Facebook outage appeared hours later on the focal news site.

*References are available on request.*



# Is the Best Always Desired the Most? Attribute-Based Choices in the Context of Complimentary Products

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**Keywords:** *superstar products, software quality, attribute alignability*

**Description:** *The moderating role of hardware's brand lifecycle on software development and distribution strategies.*

## EXTENDED ABSTRACT

### Research Question

The ability to predict consumers' choices is of primary importance for managers and yet, extremely difficult to assess accurately. This process becomes even more challenging when choices are made in the context of networked markets as the choice of one offering depends largely on the characteristics of a complementary product. For example, to maximize on the capabilities of a smartphone (e.g. video calling, music streaming) a consumer must carefully choose not only the appropriate handheld device, but also evaluate the perceived quality offered by the wireless provider (e.g. coverage, adequate signal, etc.). The goal of this study is to answer important managerial and theoretical questions about the part that software quality plays in the choice of complementary products and the moderating role of brand lifecycles. First, this paper examines how perceived software quality influences hardware acquisition particularly as this hardware product ages. Second, we observe the moderating role of hardware's brand lifecycle on the effect between the hardware install base and the supply of regular and superstar software. Third, we investigate the alignment of correspondent product-attributes and product-matching mechanisms that mediates these observed effects.

### Method and Data

For this study we use a multimethod approach. First, we conducted an empirical analysis of a video game dataset which includes monthly point-of-sale data on prices and

quantities for video game consoles in the US from January 1995 through October 2007. In total, the data set contains average price and quantity data for 15 consoles over 4 distinct product generations. We complemented our empirical results by means of an experimental study which explains the underlying mechanisms that take effect as consumers make these multiproduct purchasing decisions.

### Summary of Findings

Our results make several contributions to the marketing literature and are aimed at enriching the existing literature while providing managerially-relevant contributions. We find that the influence of superstar software is more prevalent early in the hardware's life cycle. We also find that this relevance declines, in fact, our results show that regular-quality software becomes more influential as the hardware ages. We observe that installed base has the largest effect on the supply of superstar and regular-quality products when the hardware is older. Finally, we find that consumers align the attributes of complementary products to facility product choice and purchasing decisions.

### Key Contributions

This research adds to the literature on networked products and attribute alignability. First, in the context of networked products, we show that managers should carefully plan the development and distribution of software products as their expected influence is not static but changes based on the

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stages of the hardware's brand lifecycle. These findings may allow managers to leverage their investments related to product development and distribution. From an attribute alignability perspective, we show that attribute alignability is not a systematic process that occurs only between same-

line products, but a process that translates across networked products just as well as it simplifies complex decision-making processes.

*References are available on request.*

# The Synergy and Dis-Synergy of TV Advertising on Social Media Sentiment

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**Keywords:** *integrated marketing communications, social media, advertising, dis-synergies*

**Description:** *The synergy and dis-synergy of TV advertising on social media sentiment.*

## EXTENDED ABSTRACT

### Research Question

Building upon the Integrated Marketing Communications (IMC) literature, we analyze the impact of TV advertising on social media sentiment at the brand level. Our study shifts the IMC literature focus on both marketing synergy *and* dis-synergies—in other words, how TV advertising and social media can strengthen *and* suppress each other's effect on positive sentiment. We argue that: (1) higher levels of TV advertising impressions strengthen positive social media sentiment while (2) TV advertising impressions and the presence of a Twitter hashtag campaign have a negative interaction. This study has relevance for IMC management and contributes to the understudied domain of IMC dis-synergies.

### Method and Data

We partnered with a leading market research firm to test the hypotheses. To control for industry effects, we employ a multilevel linear regression model. The top layer is the industry (15), the middle layer is the parent brand (3172), and the unit of analysis is the brand (3931). The dependent variable is the tweet sentiment on Twitter. The following are the independent variables:

- TV impressions: the number of TV viewers that viewed the ad for more than 3 seconds
- Spend: The dollar value spent to advertise on each advertising slot. This controls for the quality of the advertising slot.
- Social actions: the number of tweets, re-tweets, Facebook comments, Facebook likes, Facebook shares, Youtube

Votes, and Youtube comments. This controls for how active the brand is on social media.

- Average View Rate: the average percent of the ad that all viewers watched. This represents viewer engagement towards the ad.
- Brand Finance 500: to control for brand value, we hand collected the data from 2012 to 2015. If a brand is a top 500 global brand, then we create a dummy variable to represent this characteristic.

### Summary and Findings

The results add to our knowledge of IMC strategy as well as our understanding of the drivers of social media sentiment. First, we find that television advertising is able to positively influence social media sentiment. Thus, campaigns in traditional media channels can be an important driver of activity on social media. Furthermore, we find that Twitter hashtag campaigns are effective at promoting positive sentiment on social media. Thus, despite the presence of critics, firms are able to positively influence social media sentiment through social media campaigns.

We also find an important limitation to IMC strategies in social media contexts. IMC focuses on the synergies between campaigns, with the goal of each reinforcing the impact of the other. However, when television campaigns are combined with hashtag campaigns, the result is a negative impact on a social media sentiment. This highlights the often overlooked potential for *dis-synergies* between traditional campaigns and social media campaigns.

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## Key Contributions

This finding has important implications for IMC research. Integrated Marketing Communications began over two decades. Yet, with the rise of social media, advertising is no longer a one-way communication (a firm speaking to the consumer). Now, consumers are discussing the message amongst themselves, which can take the voice away from the marketers. Furthermore, efforts to reinforce social media campaigns by integrating hashtags into traditional advertising campaigns encourage participation by critics as well as admirers. This can lead to new forms of dis-synergies that undermine marketers' efforts. Efforts to expand IMC strategies to incorporate social media campaigns must therefore place more emphasis on identifying possible dis-synergies.

Failure to do so can lead to unintended backfire effects. Additionally, future research on IMC needs to further explore the conditions under which *dis-integrated* strategies may produce superior marketing outcomes relative to *integrated* strategies.

Finally, the results highlight opportunities for synergies as IMC strategies are adapted to the realities of social media. Specifically, the social actions variable was positive and significant. Thus, while the results argue for dis-integration between television and social media, they demonstrate the potential for further integration across social media platform.

*References are available on request.*

# What's the Big Deal? How Sales Promotions Displayed in Social Media Can Enhance Both Online and Offline Purchase Intentions

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*Michel Laroche, Concordia University*

**Keywords:** *social media, sales promotions, social network*

**Description:** *Viewing sales promotions which others post online can have a positive impact on purchase intentions.*

## EXTENDED ABSTRACT

### Research Question

What impact will viewing sales promotions that others post online have on purchase intentions?

### Method and Data

We created a website where consumers were able to post purchase intentions online. All participants in our study posted once a month and were then asked about their attitudes and purchase intentions (online and offline). We conducted a longitudinal analysis to examine whether attitudes and/ or purchase intentions changed over the four month time period.

### Summary of Findings

Our findings revealed that over time viewing sales promotions that others post begins to seem similar to regular advertising but interestingly this benefited online retailers and harmed physical retailers.

### Key Contributions

Encouraging customers to disseminate sales promotions online can increase purchases but over time this method of promotion will appear similar to a traditional advertising medium.

*References are available on request.*

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# Crowdfunding Technological Innovations: First Impression Matters!

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**Keywords:** *crowdfunding, technological innovation, backer, project title, reward*

**Description:** *Consumer benefit as the first impression increases the number of backers in the technology crowdfunding project.*

## EXTENDED ABSTRACT

### Research Question

Crowdfunding is defined as an open call to consumers over the Internet for financial resources in the form of monetary contribution either as donation or in exchange for rewards. Those who offer financial support to innovation projects are called backers. Despite the fast growth of this industry, a majority of innovation projects failed to reach their funding goals. As such, this research focuses on crowdfunding technologies and factors attracting backers to support those technological projects.

A large number of entrepreneurs use crowdfunding to pursue financial sources. Such a high demand has created a supply market—that is, backers decide which projects to support, which significantly limits the success likelihood of crowdfunding projects. A number of real-world practices have underlined the increasingly important role of first impression in attracting backers on crowdfunding. However, concerning the large number of projects, backers do not have sufficient attention to each. Without an appropriate title, backers are not motivated to browse project content in details. Accordingly, the first impression of the crowdfunding project plays a critical role in attracting backers.

There are different types of crowdfunding websites, and technological innovations are often landed on reward-based platforms, such as kickstarter.com, where backers are given rewards based on the amount of money they pledge. While the consumer benefit in the project title represents an intangible facet of first impression, rewards, which are actually given to backers, reflect tangible dimension of consumer benefit. Following this logic, we examine the interaction of project title and rewards in this research.

### Method and Data

We employ the technology category on kickstarter.com as the empirical context. As of the time of data collection, technology was the most popular category in terms of the number of active projects. However, it is least successful category because of the lowest success rate of less than 20% among all categories. This resulted in over 60 million unsuccessful dollars, highest among all categories.

We collected data of all active technological projects posted on kickstarter.com within a two-week period, resulting in 800 cases. Because the initial data collection targeted only active projects, we waited for another two months until all projects' funding periods were over and then tracked them in order to record their final numbers of backers and funding success/failure. In this regard, we were able to test hypotheses at both Time 1 (when funding was active) and Time 2 (when funding was completed). Results show highly consistent findings between Time 1 and Time 2.

Next, we implemented a filter procedure in order to remove disqualified projects, including canceled projects (75 cases), suspended projects (6), and projects that contained mostly non-English language (29) or did not offer any rewards (16). This procedure led to 674 usable cases for data analysis.

### Summary of Findings

Two independent raters coded the project title in term of consumer benefit. In addition, the research team coded the number of rewards in each reward level for each crowdfunding project. In total, 4,509 reward levels were recorded, containing 134,492 rewards. Results confirm our proposal:

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(a) the number of backers increases the likelihood of success for reaching funding goals; (b) consumer benefit stated the project title increases the number of backers; (c) rewards in each project moderate the relationship in (b) in an inverted-U shape; and (d) rewards directly affect the number of backers in an inverted-U shape.

### **Key Contributions**

This research contributes to extant literature in several ways. First, crowdfunding is an emerging area. Very little research has empirically examined this domain. Especially as the technology category has the lowest success rate in terms of reaching funding goals, an examination in this context turns

out to be meaningful to both academics and practitioners. Second, past studies on reward-based crowdfunding websites have not reached consensus on the role of reward itself. While some researchers highlight its positive effect, others find its negative or nonsignificant effect. This research attempts to resolve some of the conflicts and gives a micro look at the reward issue by coding each project's reward items. Third, we consider project titles as a first impression management tactic for entrepreneurs. Results provide practical implications regarding how to build attractive projects in the crowdfunding process.

*References are available on request.*



# An Old Wick in a New Lamp: Slacktivism and Perceived Critical Mass in Online Crowdfunded Donation Campaigns

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**Keywords:** *crowdfunding, donations, social media, slacktivism, critical mass*

**Description:** *This paper investigates the effect of slacktivism on social media promotions of online crowdfunded donations.*

## EXTENDED ABSTRACT

Donations by individuals make up the vast majority of contributions received by nonprofit organizations. Based on the statistics published by Giving USA, around 72% of donations made in 2014 (\$258.5 billion) were individual contributions. Not surprisingly, in a digital era, online donation campaigns account for a significant part of contribution figures. Crowdfunding campaigns, in particular, collected about \$16 billion in 2014, a 1718% increase from 2010. Slacktivism and diffusion theories offer opposing predictions about the efficacy of social media promotion tools for online crowdfunded donations. Therefore, the first question becomes: which theory offers the correct predictions? Also, it is interesting to investigate whether a critical mass of donors is required to get a given online donation campaign move beyond the tipping point. Although this phenomenon is observed in most participatory enterprises, the nature of donations might render a critical mass unnecessary.

Data scraped from a major online donation crowdfunding website are analyzed using regressions and multinomial probit models. The aim is to investigate the effect of sharing in

the social media on the success of donation campaigns in reaching their target crowdfunded amounts of money.

Slacktivism makes basic social media promotion tools an inefficient method. Further, as in other participatory phenomena, a critical mass of donors is required to make an online donation campaign successful.

Sharing online donation campaigns in the social media is the dominant method of promoting them. This is a costless and quick way that incorporates easily into online donation crowdfunding websites. However, this method is very inefficient in that social media users, as it turns out, tend to engage in slacktivism; that is, they merely reshare these campaigns without making any “real” contributions (i.e., monetary donations). This is in contrast to the intuitive school of thought, which based on diffusion theory suggests that more sharing increases the probability of the donation campaigns being known by more people, hence, increasing the donations.

*References are available on request.*

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# Consumer Cocreation of Counterfeit Risk Reduction in an Online Marketplace

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**Keywords:** *e-commerce, counterfeits, cocreation, online communities, online reviews*

**Description:** *This paper examines the online shopping behavior of consumers in environments with a high risk of counterfeit products to understand how global brands can leverage consumer cocreation to battle counterfeits.*

## EXTENDED ABSTRACT

### Research Question

The leading Chinese e-commerce site Alibaba has come under international criticism for facilitating the sale of counterfeit brands. Some Western brands have become hesitant to sell their brands on Alibaba sites and many consumers find it difficult to determine if the products being sold on the site are counterfeit or not. An analysis of consumer reviewing behavior on a counterfeit-prone site is expected to generate both theoretical and practical insights into the growing problem of counterfeits in online retail marketplaces. We aim to investigate the following research question: How do consumers reduce the risk of counterfeit purchases in counterfeit-prone retail environments?

### Method and Data

We developed the dataset for this study by combining two different data sources: *TMall.com* and *Try.Taobao.com*. *TMall.com* is the flagship online marketplace that is specialized in business-to-consumer (B2C) businesses operated by the Alibaba Group. *Try.Taobao.com* is a subsite of *TMall.com* and *Taobao.com*, where consumers can apply for free trials of certain products that are sold on the TMall website. The first part of the data includes a total of 228 trial reports (reviews) from 13 trial events during the period of 2014 and 2015 on *Try.Taobao.com*, and the second part of the data encompasses the product information collected from *TMall.com*, including product price and product ID. The dataset contains a rich set of review related variables such as review engagement, reviewer characteristics, review characteristics, and visual evidence. We then used a negative binomial regression model to analyze the data.

### Summary of Findings

We find a positive relationship between review engagement and the trial reports' character count, suggesting that consumers consider longer reviews as more credible. Further, we find that review engagement is positively related to the number of photos of product packaging. Moreover, our results show that review engagement is positively associated with the presence of photos of company ads in the trial reports. This implies that, in counterfeit-prone environments, review engagement is increased by review characteristics and visual evidence that are related to product authenticity.

### Key Contributions

This study contributes to a theoretical explanation of the potential role of online reviews in the consumer cocreation of brand counterfeit risk reduction, linking consumer cocreation of value and the cocreation of risk reduction to review engagement. The findings of this study offer important managerial implications. To combat the trade in counterfeit products and to bolster consumer confidence in product authenticity, online retailers can encourage the consumer generation of online reviews with photo and video content of the product and the packaging. This is especially relevant as Western brand expansion into the Chinese market is hurt by the widespread availability of high quality counterfeits, and as accusations are surfacing regarding the sale of fake goods by Chinese based third party storefronts on Amazon and eBay in the U.S. market. Future collaborations between Alibaba and global retailers will require significant rethinking of the online retail channels and an enhanced role for consumer cocreation of counterfeit risk reduction.

*References are available on request.*

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# Does Crowd Wisdom Bring Wealth?

## The Impact of Crowdsourcing on Firm Performance

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**Keywords:** *crowdsourcing, marketing capability, R&D capability, abnormal stock return*

**Description:** *This research studies whether and when crowdsourcing creates shareholder value.*

### EXTENDED ABSTRACT

#### Research Question

Taking a shareholder value perspective and drawing from the resource-based view (RBV) and contingency theory, this study seeks to answer two important questions. First, does crowdsourcing create value for the firm and its shareholders? Second, under what conditions will crowdsourcing benefit shareholder value the most?

#### Method and Data

We use an event study methodology to test our hypotheses, based on a sample of 397 crowdsourcing events by 132 public U.S. firms from 35 industries over 11 years (2004–2014).

#### Summary of Findings

In summary, using an event study method, our research shows that on average crowdsourcing generates positive abnormal returns. We find that innovation-centric crowdsourcing is associated with particularly stronger positive abnormal returns than other types of crowdsourcing strategies. Firms with superior marketing capabilities enjoy higher stock returns. We also find that innovation-centric crowdsourcing and R&D capability complement each other in enhancing shareholder value, while marketing-centric crowdsourcing and marketing capability substitute one another. In addition, crowdsourcing activities that promote subbrands enjoy greater abnormal stock returns, while employing celebrity endorsements in crowdsourcing hurts stock returns. Compared to exploration strategy, exploitation strategy further enhances the positive impact of crowdsourc-

ing within current industries on shareholder value. Overall, our findings provide important implications on how to manage crowdsourcing to yield better returns.

#### Key Contributions

Our study offers three main contributions to the literature. First, we find that on average, the stock market rewards firms' crowdsourcing activities. It provides the first empirical evidence of crowdsourcing's financial performance impact at firm level from a shareholder wealth perspective, which is of growing importance for top managers. Second, our study contributes to the crowdsourcing literature by exploring various contingencies that affect the value of crowdsourcing at firm level. Specifically, we find that the stock market's response to crowdsourcing activities is affected by the firm's crowdsourcing characteristics (e.g., crowdsourcing strategy, industry relatedness, and brand type), and firm-level characteristics (e.g., firm capabilities and strategic orientations). These findings provide important guidance for firms regarding how to implement crowdsourcing activities to achieve higher stock returns. Third, our analyses contribute to the marketing strategy literature by demonstrating the importance of strategy fit in the context of crowdsourcing. By examining the strategy fit at multiple levels, we find that the fit between crowdsourcing strategy, firm capabilities, and firm-level strategic orientations are crucial in creating greater shareholder value.

*References are available on request.*

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# Consumers' Social Media Advocacy Behaviors of Luxury Brands: An Explanatory Framework

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**Keywords:** *branding, social media advertising, consumer motivation, brand engagement*

**Description:** *This research proposes and tests a framework for explaining consumers' likelihood of social media advocacy behaviors (SAB) of luxury brands.*

## EXTENDED ABSTRACT

### Research Question

Why do some consumers engage in social media advocacy behaviors for luxury brands, whereas many others do not?

### Method and Data

Experimental design, nonstudent sample (N = 413).

### Summary of Findings

Higher levels of brand prestige, strong reference group cues, high need for status, and high need to conform led to more self-enhancement benefit from SAB. Further, strong reference group cues, high need for status, and high need to conform led to more community identification benefit from SAB. Also, as predicted, higher levels of brand prestige led to less utilitarian benefit from SAB, and high need to conform led to more social-evaluative anxiety from SAB. Finally, the results of mediation analyses supported the hypothesized mediating role of self-enhancement benefit, community identification benefit, utilitarian benefit, and social-evaluative anxiety as key drivers of SAB.

### Key Contributions

An important contribution of our study is to posit and empirically validate an integrated conceptual framework for

explaining when and why consumers are likely to engage in SAB. We propose a set of three motivational variables (self-enhancement benefit, community identification benefit, and utilitarian benefit) and one inhibiting variable (social-evaluative anxiety) as the drivers of SAB. Consumer perceptions of self-enhancement benefit, community identification benefit, and utilitarian benefit are conducive to engaging in SAB. On the other hand, consumers are less likely to engage in SAB when they anticipate social-evaluative anxiety from SAB. Moreover, in terms of the independent variables that influence SAB, we take a novel approach by proposing one brand-level variable (brand prestige), one social influence variable (strength of reference group cues), and two individual-difference variables (need to conform and need for status).

For marketers, brand pages in social media provide a great opportunity to promote brands, with the strong possibility of message validation and amplification via consumers' SAB. Our research provides important insights on the dynamic interaction between consumers and brands in social media. Our findings also provide many actionable implications for marketing practitioners.

*References are available on request.*

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# Incentivizing Consumer Sharing in Social Media: The Role of Brand Personality

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**Keywords:** *social media, electronic WOM, incentives, brand personality*

## EXTENDED ABSTRACT

### Research Question

The rise of social media websites and the increasing cocreation of brand stories are good news for marketers as it allows brands to interact more closely with their customers and to leverage the power of consumers to spread marketing messages. However, many brands suffer from low consumer contribution to their social media channels. This problem may be partly addressed by providing proper incentives to encourage consumer contribution and sharing. To this end, this research aims to answer the question of how companies can target different brand personality with different incentives to maximize consumer sharing through social media.

### Method and Data

We conducted an experiment featuring 2 (monetary vs. non-monetary incentive) and 2 (sincere vs. exciting brand personality) between-subject factorial design. A coffee shop was used as the focal firm, and Facebook was used as the social media channel. One hundred and twenty six consumers participated in the online study through Amazon Mturk. Participants were showed one of the two brand personality pictures. Then they read the description of the promotional campaign. After reading the scenario, participants answered questions on sharing likelihood, manipulation check, and several control variables.

### Summary of Findings

Although monetary incentives are dominant in practice, our findings suggest that it may not always be necessary. Previous research shows that the effects of brand personality dimensions on consumer behavior may depend on situa-

tional variables. The results of this study support this notion and show a significant interaction between brand personality and incentive type. The simple effect test shows a significant difference between the two incentives types for a sincere brand, which is consumers are more likely to engage in social sharing when a nonmonetary incentive is used than when a monetary incentive is used. In contrast, the simple effect test did not show a significant incentive type effect for the exciting brand.

### Key Contribution

To our best knowledge, the current research is among the first studies to investigate the use of specific types of incentives to stimulate consumers' online sharing behavior. It makes several contributions to research and practice. First, compared to most previous research that investigate endogenous WOM effects from the consumers' perspective, the present research examines how firm-initiated WOM may be best implemented. Second, by examining the interaction between incentive type and brand personality, this research takes an initial step towards recognizing and understanding the complex ways in which monetary vs. nonmonetary incentives can be more appropriate and can be utilized to affect consumers' social behaviors under different situations. Finally, given the often more cost-effective nature of nonmonetary incentives, our research suggests a need to more seriously consider the use of such incentives and allows more effective resource allocation to different consumers.

*References are available on request.*

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# The Influence of Other Brands on the Brand-Related Online Social Interactions in Multichannel Context

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**Keywords:** *social interactions, product discussion, social referral, cross-channel influences, discount vouchers*

**Description:** *The authors investigate the influence of presence of other brands in both online and offline environments on the generation of social interactions online on the e-commerce platform.*

## EXTENDED ABSTRACT

### Research Question

Social interaction among users are known to not only increase the purchase probability, but provide an efficient and effective way of customer acquisition, increase brand involvement, and improve customer retention. Small offline retailers nowadays use online discount voucher platforms to advance-sell their services, but it can also be used to promote social interactions around their brands. We turn our attention to the fact that small businesses are more affected by online and offline market environments as compared to their bigger competitors, and that generation of social interactions are also under the environmental influences. Specifically, our research question is (1) How does the number of other brands present online affect the generation of social interactions? (2) How does the size of the retailing district affect the generation of social interactions? (3) How do these influences differ for two types of social interaction, product discussion and social referral?

### Method and Data

Our data set is constructed by combining data from three sources: (1) sales record from the year 2011 at the deal level given by a major discount voucher site in South Korea, (2) social interaction records collected using a web crawler, and (3) district-level retail revenue data from Korea National Statistical Office. We use Multivariate Poisson Lognormal model to estimate three equations of the same structure with correlated errors, with only the dependent variables differing; number of product discussion, number of social referral, and number of vouchers sold.

### Summary of Findings

The estimation result shows that when there are a large number of other deals in the online platform, product discussion decreases, but social referral increases for the focal deal. We predicted the result, hypothesizing that greater number of online deals divide cognitive and physical resources for individual deals, but increase the social value of each deal. In terms of the size of offline retailing districts, greater overall revenue is associated with greater number of product discussion, but does not have an influence on the amount of social referral. We hypothesized that, while greater size of retail district positively impacts all types of social interaction, social referral is less affected due to temporal distance and cross-channel nature of the consumption context.

### Key Contributions

Our study contributes to extant literature by establishing that (1) environmental factors such as the number and size of other brands present affect the generation of online social interactions, (2) the effect differs depending on the nature of the social interaction, and (3) the effects are present across channel and temporal distance depending on the types of social interaction. Managerially, we suggest practical strategies that the small offline retailers can use in order to promote online social interactions using a third-party online platform. Our results imply that, depending on what type of social interactions the company wants to encourage, the company has to respond to the online and offline environment differently.

*References are available on request.*

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# Popularity of Digital Products in Online Social Tagging Systems

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**Keywords:** *brand popularity, digital products, social tags, social networks, social media*

**Description:** *This study investigates how online social tags can reveal information such as a brand's niche width and audience consensus and how such information together with users' social networks can predict brand popularity online.*

## EXTENDED ABSTRACT

### Research Questions

1. How the information contained in online social tags can reveal information such as a brand's niche width (the level of diversity of a brand's targeted categories) and audience consensus, and how such information can predict brand popularity online?
2. How the structure of consumer social networks in the social tagging system affects brand popularity?

### Method and Data

Using data from an online music discovery and listening website, Last.fm, with more than 186,000 tags applied to 12,523 musicians and 12,717 pairs of network ties among 1,892 listeners, this study investigates brand popularity in online social tagging systems. We use a multiplicative simultaneous-equations model to test the hypotheses. 3SLS is used for estimation.

### Summary of Findings

This article finds that a brand's niche width exerts opposing effects on brand popularity through direct and indirect effects. Directly, a brand's niche width positively affects brand popularity; indirectly, a brand's niche width negatively affects brand popularity through audience consensus on the brand's positioning. Yet a brand's niche width produces higher response elasticities in the direct positive effect than in the indirect negative effect. The consensus from consumers' perspectives matters as well: brands labeled more consensually among consumers are more popular than brands labeled less consensually. Regarding

the role of social networks, this study finds that the density among users' social networks positively influences brand popularity.

### Key Contributions

This study contributes to the social media literature in several ways. First, prior research on brands' social media performance has predominantly emphasized online websites' characteristics (e.g., Ha, 2004; De Vries et al., 2012; Erdogmus and Cicek, 2012). However, this emphasis may have unwittingly resulted in the misconception that marketers can only influence brands' online performance by focusing on online content per se, such as designing interactive and entertaining web pages with frequent updates of content. By accentuating the role of a brand's niche width, audience consensus, and network connections, our study shows that marketers can actually take a broader range of activities to influence brands' online performance. By extending to wide but compatible categories and actively engaging consumers in brand communities so to increase network density, firms can better reap values from social media platforms.

Second, while many studies on social media have focused on the quantitative aspects of online content (e.g., review valence and volume) and their value to firm performance (e.g., Godes and Mayzlin, 2004; Trusov et al., 2009), our study extends the literature by examining the qualitative aspects (textual content) of social tags. Specifically, we focus on the informational value of social tags to investigate how tags reveal a brand's niche width strategy and how such information influences brand popularity. Our study also

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extends the recent emerging research that more deeply explores online user-generated content and “listens” to what consumers talk about with regard to their products (Netzer et al., 2012). To the best of our knowledge, this is the first study to use online textual content to examine a brand’s niche width and audience consensus about a brand’s positioning.

Third, this study also contributes to the literature on networks in social media. Whereas prior studies have mostly focused on network effects on product adoption and diffu-

sion processes (e.g., Goldenberg et al., 2009; Hinz et al., 2011; Katona et al., 2011), our study extends the effects of network connections to brand popularity, which has rarely been examined by previous studies. In addition, our study examines in a network context how the structure of social connections affects firm performance on social media, whereas many existing studies have focused on dyadic connections and their impacts (e.g., Narayan et al., 2011).

*References are available on request.*

# Future of Shopping: Augmented Reality and Shopping Experience

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**Keywords:** *augmented reality, user experience, interactivity*

## EXTENDED ABSTRACT

Technology and marketing are evermore integrated for the benefit of the consumer. This study attempts to examine the impact of augmented reality (AR) on user experience (UX) and its subsequent influence on user satisfaction and user's willingness to buy. Five hypotheses are tested using a lab experiment. The results show that AR significantly impacts UX, and that UX subsequently influences user sat-

isfaction and user's willingness to buy. UX is a third-order formative construct derived from four user experience characteristics: pragmatic quality, hedonic quality by stimulation, hedonic quality by identification, and aesthetic quality.

*References are available on request.*

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# You Can't Touch This: Understanding the Role of Possessions in Access-Based Consumption

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**Keywords:** *symbolic self-completion, access-based services, possession, psychological ownership*

**Description:** *The paper introduces the concept of psychological ownership to symbolic self-completion theory and investigates the shift of identity-related possessions from material to intangible objects in the context of access-based consumption.*

## EXTENDED ABSTRACT

### Research Question

We raise the critical question whether consumers find identity-related substitutes of material possessions through the consumption of access-based services and whether this, in turn, leads to the reduction of material ownership.

### Method and Data

To test our framework we cooperated with a German based car-sharing provider to collect data in an online survey amongst its customers. In total, we received 439 complete responses (30.3% female). The study used a correlational design. The data was analyzed using a variance-based approach to structural equation modeling. We used partial least squares structural equation modeling (PLS-SEM). More specifically, calculations were done with the Smart-PLS software package (Ringle, Wende and Becker, 2015; Version 3.2.4). Following recommendations of Henseler, Hubona and Ray (2016) both the measurement model, when applicable, and the structural model were estimated using a bootstrap resampling procedure of 5,000 subsamples. This also accounts for nonnormal distribution of the behavioral variables (i.e. ownership reduction and usage intensity). The car sharing company provided information on actual usage behavior with the average number of bookings per month for each customer.

### Summary of Findings

Overall, the results indicate that when access-based consumption is relevant for the consumer's self-concept psychological ownership towards a specific service offer emerges. That is, consumers employ the specific service as an intangible possession that serves their identity. This has a positive effect on usage intensity of that service and lowers the acceptability of alternative service providers. What is more, consumers sense that access-based consumption services can substitute for material possessions, which in turn positively influences the reduction of material ownership.

### Key Contributions

We develop and empirically test a framework that contributes to the theory of symbolic self-completion by introducing the concept of psychological ownership as an explanation of why individuals refer to intangible consumption objects as symbols to enact their desired identities and consequently discard material possessions. Besides this theoretical contribution we provide an alternative approach of understanding the increasing success of sharing economy business models to replace traditional forms of consumption through material possession.

*References are available on request.*

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# Online Broadcasters: How Do They Maintain Influence, When Audiences Know They Are Paid to Influence

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## ABSTRACT

An increasing number of companies pay online broadcasters on YouTube, Instagram, or Tumblr, to talk or display their products. As the viewers discover the existence of such payments, they question the presumed impartiality of such broadcasters, thereby limiting their influence. Using data from a qualitative study, we identify two types of strategies: one related to the review process, and one related to community management that allow online broadcasters to maintain influence despite being paid, and conclude with the implications for the future of online marketing.

**Keywords:** *online influencers, influencer marketing, YouTube*

Social scientists have long argued that individual's preferences and decisions are heavily influenced by opinions and actions of others (McPherson, Smith-Lovin and Cook 2001). Countless studies across numerous disciplines, including marketing, have shown that the social influence effects are large and exist in a wide variety of environments (Hartmann 2008, Nair et al. 2006, Van den Bulte and Lilien 2001, Iyengar et al 2010, Bernheim 1994, Bass 1969, Choi et al 2008, Nair et al. 2006, Godes et al. 2005). Research has further shown that while every individual can potentially influence everyone else, some people or entities have a much larger impact on others preferences or actions (Van den Bulte and Joshi 2007, Nair et al. 2006, Trammell and Keshelashvili 2005, Aral and Walker 2014). Often referred to as "influencers" or "opinion leaders," they can trigger adoption of a particular belief or practice in a large population quickly (Lazarsfeld, Berelson, and Gaudet, 1948; Watts and Dodds, 2007).

Companies recognize the power of such influencers and seek to engage with them to encourage consumers to buy a particular set of products. Some companies, such as Nike, have leveraged celebrities who publicly use companies' products to show their effectiveness and therefore drive sales. Others, such as Procter and Gamble, have engaged professionals, e.g. dermatologists or dentists, to educate the

general public on the clinically proven benefits of its face creams or toothpastes. Yet another set of companies, such as Tupperware or Mary Kay, built their entire business models by having normal people convince their friends and acquaintances to acquire the company's products.

Influencers became even more effective with the incredible growth in popularity of various types of social media platforms in the last 10 years, fundamentally changing the customer decision journey. For example, almost everyone now can influence their friends easily by posting a status update on Facebook publicly proclaiming their affinity to a set of beliefs or giving their opinion on a product. Similarly, it is equally possible for anyone to influence complete strangers by establishing an account on Twitter, Instagram or YouTube and broadcasting one's musings for the entire world to see. In fact, some of the most successful broadcasters,<sup>1</sup> such as PewDiePie, have amassed billions of views on YouTube by posting numerous online videos or status updates documenting their lives, entertaining their followers, and talking about various products that they might use. Many followers will purchase the products featured by the broadcaster, often because the broadcasters are seen as impartial and acting in

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<sup>1</sup>We refer to them as broadcasters rather than influencers to make the distinction that not every broadcaster will end up influencing their viewers.

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the best interest of the viewers. Thus, even though the broadcasters may not necessarily seek to steer their followers to particular products, their ability to increase sales makes them *de facto* online influencers.

By now, many firms have understood this dynamic and have offered to pay fees to influential broadcasters to have them talk positively about the firms' products. Early results reported in a McKinsey study attest to the efficacy of such investments, with new customers acquired through influencers 37% more likely to stay with the company than those acquired through direct paid advertising (Wong 2014). In a survey of 125 marketers, results illustrate that on average, businesses are making \$6.50 for every \$1 spent on influencer marketing with 70% of businesses seeing a return of \$2 per \$1 spent, and the top 13% of marketers gaining \$20 per \$1 spent (Morrison 2015). It is no surprise, therefore, that in 2014 alone, influencer marketing expenditures grew by 22% and nearly 60% of marketers planned to increase their influencer marketing budget over the next 12 months (Morrison 2015)—a trend that is likely to continue as specialized agencies emerged across the world to help firms to identify the right influencers in the right geographies, and recommending the appropriate fees to pay for them. These fees (see Table 1) allowed some successful online broadcasters, such as PewDiePie, Smoosh or Fine Brothers, reportedly to make in excess of \$8 million a year (Berg 2015), although the median income for less well-known influencers was \$100,000 last year (Chen 2016).

Despite the apparent success of online influencer marketing strategies so far, relatively little academic work has explored who the influencers are, how they operate and how they engage with companies (for notable exceptions see Subramani and Rajagopalan 2003; Biran, Rosenthal, Andreas, and McKeown 2012; and Trammell and Keshelashvili 2005).

**Table 1.** The World's Top Earning YouTube Stars

RANK	NAME	EARNINGS (in 2015)
1st	PewDiePie	\$12 million
2nd (TIE)	Smosh	\$8.5 million
	Fine Brothers	\$8.5 million
3rd	Lindsey Stirling	\$6 million
4th (TIE)	Rhett & Link	\$4.5 million
	KSI	\$4.5 million
5th	Michelle Phan	\$3 million
6th (TIE)	Lilly Singh	\$2.5 million
	Roman Atwood	\$2.5 million
	Rosanna Pansino	\$2.5 million
A Combined Total of: \$54.5 million		

Source: Berg, Madeline. "YouTube Millionaires." *Forbes*. October 14, 2015. <http://www.forbes.com/pictures/gjdm45jih/youtube-millionaires/>

The first part of this paper seeks to address this void. In addition, it is not clear how sustainable the influence by paid online broadcasters is. Specifically, as followers discover that their favorite broadcasters are receiving endorsements, they begin to doubt the broadcasters' impartiality. This reduces the broadcasters' ability to influence the followers, leading the companies to stop funding these online broadcasters. The second part of the paper examines strategies that online broadcasters use to maintain influence, despite being sponsored by companies.

Data for the paper came from our 15-month qualitative study of the industry. During this period, we interviewed successful and unsuccessful influencers and their followers, these influencers' business managers, the agencies that connect successful influencers to the companies, and the companies seeking to access customers through the influencers (see Table 2). Our sample consisted of interviews with online influencers based in New York and Los Angeles; interviews with talent agencies in Los Angeles; public relations firms in Los Angeles, London, New York, Paris, San Francisco and Toronto; and international consumer goods companies (based in the United States) that had partnerships with online influencers. All of our interviews were transcribed and coded based on key themes that we had uncovered during our interviews. Finally, we supplemented the interviews with longitudinal data that consisted of articles in the popular press that addressed notions of influencer marketing.

## Types of Online Broadcasters

Our analysis of the industry revealed a number of different types of online broadcasters who exert influence over the ideas people hold and the kinds of products people might want to buy. The first set comprises the traditional influencers, such as well-known celebrities, who receive monetary compensation for their endorsements, and journalists, who offer access to many potential customers.

The second set includes influencers who are part of a corporate influencer network, such as Tremor originally set-up by P&G, or the *Vogue* Influencer Network. The owner of the influencer network would then use it to market its own products through the network, or channel third-party products through the network. The owner of the network also actively recruits the influencers, or provides the opportunity for potential influencers to apply to join the network. Influencers in such networks are usually not compensated directly, but they might receive samples of products that they are entitled to keep. Interviews with influencer network owners revealed that influencers did not necessarily need monetary compensation, as for them it was important to be "the first to know" in the social communities in which they operate; gaining social capital was payment enough. In the words of one influence network owner representative:

**Table 2.** Interviews Conducted (by Category)

INFLUENCER CATEGORY		
LOCATION	NAME	"INFLUENCER NAME"
Los Angeles	Blair Fowler	Juicy 007
	Chriselle Lim	Chriselle
New York	Michelle Phan	Michelle Phan
	Kevin Berg and Jamie Beck	Ann Street Studio
AGENCY CATEGORY		
LOCATION	NAME/TITLE	COMPANY
Los Angeles	Jeremy Zimmer, CEO	United Talent Agency
	Chris Day, Head of Corporate Communications	
	Greg Goodfried, Digital Agent	
	Raina Penchansky, Chief Strategy Officer	Digital Brand Architects
	Kendra Bracken-Ferguson, Chief Strategy Officer	
New York	Karen Robinovitz, Co-Founder and Chief Creative Officer	Style Coalition
	Yuli Ziv, Founder and CEO	
COMPANY CATEGORY		
LOCATION	NAME/TITLE	COMPANY
Cincinnati, Ohio	Paul Fox, Director of Corporate Communications	Procter and Gamble
	Brent Miller, Associate Director of Communications	
London, England	Nick Hindle, Senior Vice-President, Corporate Affairs	McDonald's
Paris, France	Chris Hummel, Chief Marketing Officer	Schneider
	Martin Hanna, Vice-President, Analyst Relations	
PUBLIC RELATIONS CATEGORY		
LOCATION	NAME/TITLE	COMPANY
New York	Catherine Sullivan, Managing Director, Worldwide Communications	Burson-Marsteller
	Luke Peterson, Director, Analytics Products	
	Carly Yanco, Director, Strategic Planning	
	Enu Herzberg, Manager, Digital Analytics	
	Dinah Alobeid, Head of Public Relations	Brand Watch
	Adam Bambrough, Vice-President of Customer Experience	
	Drew Darnbrough, Director of Marketing Programs	
	Brit Ferguson, Account Manager	
	Michelle Belcic, Director of Strategic Accounts and Partnerships	Synthesio
	Ben Farkas, Vice-President, Global Client Services	
Paris, France	Arnaud Roy, Chief Marketing Officer	Augure
San Francisco	Darin Wolter, Executive Vice-President of Sales	Sysomos
	Zach Friedman, Senior Account Executive	
Toronto	Dan McKinnon, Chief Technology Officer	
OTHER CATEGORY		
LOCATION	NAME/TITLE	COMPANY
San Francisco	Jon Dick, Head of Marketing	Klout
	Hannah Kuchler, Technology Reporter	<i>The Financial Times</i>
New York	Bonnie Abrams, Executive Director of Creative Services	Vogue ("Vogue Influencer Network")
	Melissa Halverson, Executive Director of Marketing	
	Yi-Mei Truxes, Senior Marketing Manager	
	Cheryl Han, Founder and CEO	Keaton Row

I used to say that you needed sampling to get people to be motivated to share. But now with the digital era, you don't need that anymore, as long as you provide exclusive content. One of our best campaigns allowed influencers access to an exclusive video that they could share with others through various social platforms and it made them feel like experts, like people who are truly in the know.

The third set of influencers is independent online broadcasters who create and distribute their own content. Most broad-

casters in this category start working alone, but once they become more successful, they might hire a business manager, and/or a publicist who will advise them on what the broadcaster should or should not say. These influencers vary by the platform they use. Some of them focus uniquely on one medium, such as YouTube, and use others, such as Instagram, Vine, or Twitter, as auxiliary channels to manage interactions with their followers. Others engage in more multichannel strategies, e.g. blogging, YouTube, and Instagram, allocating equal attention to all of them. Often, the choice of the media was dictated by what the influencer



wanted to talk about. In the words of one of our interviewees: “For fashion, beauty, travel and cooking, Instagram and YouTube work better, because images are key. Twitter influences people in a different way, and is better for breaking news, or technical information.”

Indeed, the online broadcasters did provide very different content. Some, such as Logan Paul and PewDiePie fall into this category, focusing mainly on entertainment, and limiting their commercial engagements. For “Internet goofball” Logan Paul, his entertaining Facebook videos logged more than 300 million views in just one month last year (Stanley 2016). While Paul has earned success on Facebook, his followers were first introduced to him on Vine; today, he has gained over 20 million fans across Instagram, Facebook, Snapchat and Twitter (Stanley 2016). In 2013, while studying engineering at the University of Ohio, Paul was approached by Ubisoft, a video game publisher, to make a promotional video on Vine for its “Just Dance” franchise; the company paid him \$1,000 (Stanley 2016). Following this initial success on Vine, Paul created a YouTube video compiling his most popular Vine videos. The three-minute video gained four million views on YouTube in one week. His subsequent engagements with companies include: Dunkin’ Donuts, Hanes, HBO, Nike, Pepsi, and Verizon.

Other online broadcasters, such as sisters and make-up artists PixiWoo or product reviewer Fleur de Force, are directly focused on discussing products, engaging in promotions, accepting sponsorships, while still providing a fair dose of entertainment. Online broadcasters in this category tend to specialize by product category, e.g. beauty, cars, or video games, and will often develop a reputation for a particular segment in a given category, e.g. high-end fashion. They might also develop their own product lines, write books, act in TV shows or movies, or become formal spokespeople for a particular brand. One great example of such an online broadcaster is Blair Fowler, who started broadcasting beauty and style-related tutorials from her bedroom at the age of 15 on YouTube in 2008. As she acquired an influencer status on YouTube, she developed her own branded products, published two books, and starred in two movies.

Our interviews revealed a substantial amount of variance in how online broadcasters became influencers. Some did so rather serendipitously, as described by one of our interviewees:

She’s this British girl who moved to Australia and then moved to America, and she’s just a very endearing young woman, who but had a fashion blog, and then started posting pictures, and her blog visitor numbers went up, so she started going to these blogger events where they all get together, share each other’s info,

and help each other out. Then Instagram happened and her beautiful aesthetic just hit the right chord on Instagram, so she was able to move her followers there, and then she became really influential.

Others acquire large followings and great deals with companies by engaging with existing influencers and building their franchises from there. This was the case for Bethany Mota who shot to fame by first interacting with Blair Fowler through YouTube. Fowler recalled:

Her first few videos would either be video responses to me, or she would mention my name in them. And the comments that appeared on her channel were always, “You’re just a Blair wannabee.” She would call me and say, “I uploaded a video and everyone’s saying I’m a you wannabee. Can you comment on the video and tell people that this is my personality too.” So I would go on her video and say: “Guys, be nice to her; she’s just trying to start a YouTube channel. We all start somewhere. It just happens to have the same way of describing products and speaking to you guys [that I do].” We also talked a lot, and I would give her advice on what works and what does not work. And she took it all too heart, because she grew like nobody’s business. She was just on *Dancing with the Stars*, and her success is opening up the doors for other people. I am so incredibly proud of her.

Indeed, Mota became very successful, earning approximately \$40,000 a month for her videos. Her success has led her to multiple tours across the United States to meet her fans, and fashion lines with U.S. clothing companies, such as JC Penney, Aeropostale and Forever 21.

Encouraged by the broadly publicized success of online influencers, many Internet users sought to join their ranks, often by trying to develop strategies to create large followings and subsequently engage with a company to promote their products. Such endeavors would often involve collaborations with publicists to provide the potential influencer with direction and advice. Despite their broad involvement, even publicists acknowledged that they could only help so much, and the onus of creating a following continued to remain with the online broadcaster. In the words of one such publicist:

We get a lot of people who come in and say: “I want to be like x, y and z influencer,” and the answer is, “okay, well what do you do? What’s the skill that you have associated with it? Are you a makeup artist, an interior designer, a chef, a food stylist? What led you to create a blog? Is it because you weren’t seeing what you wanted to see in traditional media?” We can then



provide some direction, what the feel of your online conversation should be, how you should come across as a brand, etc. But the ultimate content creation is always on the influencer. It is essentially their hard work and personality that wins people over.

### **How Do Companies Choose Which Influencers to Work With?**

The process of matching companies with influencers depends on whether the influencers are a part of a captive influencer network or whether they are independent. In the case of a captive influencer network, at least one of the firms we interviewed used a custom application that ran on Facebook Platform and allowed the network to push out information regarding promoted products to some or all of its influencers. The influencers would be given the option to request samples and/or asked to share product information, as well as their private thoughts on the product, with their followers on Facebook, Twitter, Pinterest or Tumblr. The influencer network would then use an external vendor to monitor which influencers actually shared the information, and which messages actually got shared further. Using these data, the influencer network would make decisions about who should receive what kinds of messages to share in the future. In some cases, the data was also used to exclude certain influencers from the network.

As for the independent influencers, the process is more varied. In some cases, an interested company would reach out to the influencer directly, as was the case with one of the original online influencers Michelle Phan. Starting out as a beauty blogger in 2003, Phan uploaded her first video to YouTube in 2007, following repeated requests from her readers to provide a visual demonstration of her makeup application techniques. As she explained during our interview:

I am not even a trained makeup artist. They [her readers] just wanted to know how an everyday girl did her makeup. I thought it was a strange request, but I always want to make subscribers happy, so I broke out my laptop and I shot my video on my webcam. I didn't expect anyone to watch the video except for those two girls who made that comment. And within the first week the video had garnered over forty thousand views and hundreds of comments from women from all over, asking if I could do another makeup tutorial.

Phan's first collaboration with a company came unexpectedly when the Vice-President of Public Relations at Lancôme came across her YouTube videos. Phan elaborated:

I used four Lancôme products and tagged them in the video, which is how she found me. Then she saw that

my videos had five hundred thousand views compared to her five hundred views videos. And she emailed me and I saw that the address was from Lancôme, and I thought this was spam. But then the name checked out so I gave her my number and she called me and before we hung up she wanted me to fly out to New York. There I met with the entire Lancôme team, and they were so impressed with my videos that they decided to bring me on as their first ever "Digital Ambassador." And the craziest thing about this is that two months before I uploaded my first video on YouTube, I had applied for a job at a Lancôme counter at a department store and I got turned down because I didn't have enough sales experience.

In other cases, the connection would be enforced by the community of followers. One of our interviewees described an example of when that happened:

One influencer posted a beautiful picture of her new bedroom, and a couple months later Target released a picture on their Instagram account that looked exactly like what the influencer had posted. There was no credit to the influencer, all that Target said was, "Honeycomb wall. Inspirations for spring decorating." The minute they posted it, every five to ten seconds for the next seven hours, someone would post a comment, such as "This is Vintage Revival. This is Mandy's wall. Give Mandy credit. Give credit where credit is due." Finally, Target posted a message on Instagram "We're in touch with Mandy" and the messages stopped. This led to them [Target and Mandy] working together for a while.

However, most of the time, companies would reach out to dedicated influencer search agencies to help them identify the right influencers to engage. Many, but not all, of these agencies had PR backgrounds, and varied quite dramatically in the processes they used to identify the influencers to match company needs. Some agencies went for a highly quantitative approach. These agencies would use publicly available content data from Twitter, public Facebook posts, such as those on community pages, as well as data from public blogs and forums and apply their proprietary algorithms to identify people who held a substantial share of voice on particular topics, and had substantial influence over others. Other agencies took a much more qualitative approach to creating a match. In the words of one such agencies:

We will do a quick scan and look at the number of followers, number of posts, and number of re-shares to figure out who matters and has a share of voice. But then we will look more deeply to see if an influencer

has a distinct point of view that fits the brand, what brand attributes they are talking about, and will they be able to convert to sales on behalf of the brand.

Agencies would also take a more proactive approach, first identifying promising influencers, and then trying to match them to potential companies. Given the relative infancy of influencer marketing, and the lack of formal influencer marketing manager positions in organizations, this was an arduous job. One of the agency representatives commented:

We'll get bounced around sometimes to four or five different departments before we've found the right person to speak to about working with influencers. And if they never worked with influencers, you never know how they are going to react. If you are a company that has to control everything that describes your brand, working with an influencer is going to be very uncomfortable, because they're not these really clean, amazing, airbrushed ads that you've created. So we then need to work with these companies a lot to get them to buy into the process.

Regardless of the approach used, most agency representatives acknowledged that a significant amount of work is required to align between the influencer and the company to ensure that the message is conveyed correctly. One agency described the process as follows:

Sometimes the process is quite simple, particularly if the company wants to work with an influencer because they love the influencer's point of view, their audience, and their take on things. Usually, the company doesn't quite know what the influencer's take is on their product, and they will let her or him drive those decisions. But more often than not, it's more complex than that. The company has already decided which product they want used and discussed, and so then we have to talk back and forth about the best way to talk about the product and devise some sort of way that feels right and organic, but at the same time meets the company needs. This can take a lot of work and a lot of time.

As these discussions are taking place, the company and the influencer are negotiating, often with agency involvement, to determine how the influencer is going to be compensated. An agency representative commented:

Way back when, you could pay influencers with samples, but now there is an expectation that an influencer will get paid in cash. The actual price will depend on how popular a particular influencer is with other brands. It could be as low as \$200 for a post featuring

a company product to, say, fewer than 20,000 followers, to, say, \$5,000 for a post that goes to a million followers, and as high as \$50,000 for a full-blown video feature that will go out to millions of followers. [...] The FTC mandates that influencers clearly disclose any corporate sponsorships to their viewers, but of course the precise figures are never disclosed.

Once the negotiations are complete, and the influencer features or discusses the product, either the company or the agency will seek to measure the influencer's impact on sales. In some instances, when the product is niche, and the internet is the main sales channel, the measurement is easy. One agency member furnished the following example:

One influencer, Gaby Gregg, whose site is Gaby Fresh, coined the term *fatkini*—a bikini for plus-size women—and then designed one for a swimsuit manufacturer. She created a huge conversation around this topic, and apparel for plus-size women is prime for digital conversations because it's a niche category. She was the number one driver of all plus-size conversations on Twitter, and then she went on *Good Morning America*, and when the product was released, it got so many orders that it crashed the company's website. For a long time, she continued to be one of the top three drivers of traffic to the company website. [...] So then it's easy to measure impact.

In other cases, particularly when off-line retail is involved, directly attributable sales data are not available. In these circumstances, companies, agencies and the influencers themselves would use responses to posts as a proxy of what the impact was on sales. One of our interviewees working for *Vogue's* Influencer Network noted:

One of my girlfriends is also an influencer, and she is a totally normal girl, so lovely and great, and, she just has a beautiful aesthetic. She'll post her hand with a ring and it's all amazingly set against some background, like even a cappuccino, and you see the comments, "I need that ring now. What is that?" and she'll write back the brand or she'll tag the brand. And you will see comments that people want to buy it. [...] I can bet you my year's income that the more of these comments you see, the more you can figure out how much impact you had on sales.

Even with limited ability to measure impact, most companies we spoke with continued to express their willingness to engage with influencers and pay for their services. One marketing executive of a fast-moving consumer goods company noted:

Often you see when you have an influencer talk about a product, it flies off the shelves. But as far as I can tell, no one has really figured out how to measure the impact of influencers across all types of products and all types of media. So that obviously limits the number of companies willing to invest in this, and how much they are willing to invest. At the same time, influencer marketing is still reasonably cheap as compared to, say, advertising on TV. So even if you can't measure everything perfectly, there is still enough belief in the marketplace that this works.

### **Maintaining Influence Despite Being Paid**

Our interviews have revealed that the payments that influencers receive present a fundamental dilemma for the influencers. On the one hand, they are an important source of influencers' revenue. On the other hand, the payments actively undermine the presupposed independence of the online influencers. Even online broadcasters who do not explicitly talk about products are not immune to these concerns, as evidenced by a massive uproar created by a revelation that PewDiePie earns more than \$10 million per year, suggesting that much of what we will describe below can also apply to online broadcasters in the first category.

To alleviate these concerns, online broadcasters developed two sets of practices that allow them to maintain their influence, even if their followers are fully aware of the payments they receive. The first set requires that online broadcasters provide their followers with extensive comparisons of various products in use, as compared to examining product features, while refraining from explicitly telling the viewers what to do or buy. The second set is much more affective in nature, and requires that the online broadcasters augment their discussions and reviews of different products while maintaining a seemingly personal relationship with their audience, often by providing extensive insights into their personal lives and personalities so that they appear loveable, entertaining and above all, aspirational.

### **Review Process**

To understand conditions under which online broadcasters can maintain their influence despite receiving compensation from firms, consider what information is valuable to customers who are interested in buying one or more products from a variety of choices in the same product category. While such customers might appreciate a long list of various product characteristics, that they can compare prior to buying the product, they will find it even more valuable to see how the products actually perform when they are used by someone. This will allow the customer to make their own inferences regarding which product is the highest quality or the best fit for them. Existing marketing mechanisms rarely

provide such information. A typical advertising campaign usually focuses on product features, and might assert that the advertised product is better than others. However, it will rarely provide enough information for the customers to make that judgment themselves. This is where online broadcasters can step in and provide customers with such information and thus influence what they buy.

Specifically, in our research, we have found that online broadcasters engage in three types of activities that allow them to exert influence over their viewers' buying patterns. First, many online broadcasters provide tutorials on how to use products. Such tutorials cover a broad set of activities, ranging from showing viewers how to apply makeup, arrange one's hair or paint one's nails, play a video game, cook a meal, practice yoga, knit, or fix a particular machine. Even though the use of certain products may have been sponsored by one or more companies customers have the opportunity to see them in use which gives them the ability to discern whether the products are high quality or a good fit for them.

Furthermore, during many of the tutorials, online broadcasters use a large variety of products, all of which achieve the same goal, e.g. different face creams, which further allows customers to make explicit comparisons between products. As one influencer stated succinctly:

The internet has opened up a two-way dialogue, so now instead of having this authoritative figure telling you to buy this product you have a community that tells you what products work best for them. And you have influencers that you can follow that you admire that will recommend wholeheartedly what works and what doesn't. So it's a very natural conversation and it's a two-way dialogue rather than the one-way dialogue that traditionally happens.

The importance of the tutorials becomes quite apparent when an online broadcaster stops doing them, instead offering straightforward demonstrations of products sponsored by a large fast-moving consumer goods company. A scan of user comments under such videos reveals just how disappointed the fans are that they are no longer able to make inferences themselves, and now they are forced to endure a video they find clearly biased, which in turn reduces the ability of the broadcaster to influence the viewers.

In addition to tutorials, online broadcasters also engage in direct comparisons of products. These direct comparisons often take the form of "hauls," during which a broadcaster will "show and tell" her most recent purchases through an online video. Beauty and fashion hauls often derive from

shopping trips to CVS, Forever21, and Target. In presenting each purchased item to the viewer, the influencer describes what they like about the product, how they plan to use it, and indicates which one he or she likes better than others. By drawing such distinctions, the broadcaster provides viewers with useful information, and avoids the suspicion that he or she praises the product only because she was told to do so, which helps him or her maintain the influence. As Fowler explained:

I think I was the first person to have recorded haul videos with so many views. I went to Forever 21 and had so much stuff that I almost needed a truck to “haul” it back. The video showed everything I bought. I had never worn the stuff or used to products so it wasn’t a review. It was really just the stuff I bought for some reason and it was a big hit. I myself love watching haul videos, as it gives me ideas on what I should be saving up my money for.

Indeed, hauling videos have attracted so much praise from viewers that industry observers have called hauling “PG porn” for the millennial generation (Myers 2010). In Jack Meyers’s book *Marketing to Younger Millennials—The Misunderstood Consumer*, he cites the 2008 economic recession as one of the reasons why “hauling” became successful. Consumers could now shop vicariously by watching the purchasing habits of a trusted source, without having to spend any money. Indeed, the popular US clothing store JC Penney successfully launched a back-to-school campaign in 2011 called “Haul Nation,” encouraging teenagers to vlog (video blog) their back-to-school shopping experience in the hopes of winning a trip to New York City and an iPad (Tenaka 2010).

The matters become more complicated when it comes to sponsorships by producers of the goods, such as P&G, or by retailers who are also producers, such as Warby Parker. Here it is more difficult for an online broadcaster to be positive about some products while negative about others. While doing so will help the broadcaster maintain influence, the retailer-producer will be less likely to agree to negative reviews of some of its products, and will likely insist on more positive reviews. This puts the online broadcaster on the horns of a dilemma—on one hand the influencer wants to engage in a truthful review in which he or she likes some products more than others, on the other hand he or she faces a concerned producer who does not want its products criticized.

In our research, we have found that successful influencers manage this dilemma by being very explicit with their viewers about the decision rules they employ for accepting such sponsorships. Specifically, these influencers inform viewers

that they accepted products from a company, used them for a while, and then reported the findings to the company, and gave them the option to proceed with an online review or withdrawing the review. As one prominent female influencer put it:

Cosmetic brands would reach out and offer to send me free product if I would integrate it into my videos and I was, like, this 15-year-old girl... like, “What? There’s someone who wants to give me free stuff? Heck, yeah!” ...[But] from the very first one I said, “I can’t guarantee that I will post it in a video if I don’t genuinely enjoy it. I will only say my honest opinion. If it’s going to be negative I’ll reach out to you guys and you can decide whether you just want me to omit it from the video, not talk about it, or if you’re fine with me giving an honest review.”

This way the online broadcaster can convince his or her viewers that the reason why he or she is very positive about a particular product is that he or she liked the products. As Phan stated in our interview: “Whenever I’m doing a sponsorship it’s always a brand that I use myself. If I don’t use it, I’m not going to promote it.” Furthermore, to maintain their independence, many online broadcasters claim that they receive many sponsorship offers, which means that they can be selective, and can easily walk away from a sponsorship of a product they do not like, and still generate great income from reviewing products they like.

This strategy is quite difficult to execute when a successful influencer becomes an official spokesperson for a brand, as in such circumstances it is hard for the influencer to argue that they have the power to walk away from talking positively about products they might not like. In such circumstances, the influencers use the goodwill they have generated with their followers, but they are unlikely to be able to replenish this goodwill, which eventually reduces their influence, and leads the companies to stop contracting for influencer services. For example, Mota had to drastically reduce her presence on YouTube as her ability to offer unbiased reviews became limited. Similarly, Fowler witnessed a substantial decline in the positive comments from her followers once she has started to work with Unilever on a permanent basis.

## Managing an Online Personality

In addition to actively managing the content of what they say about various products, online broadcasters also engage in a very active process of managing their online personality to maintain influence over their followers. This process involves striking a balance between portraying a persona that everyone can relate to and like, which keeps viewers coming back, and at the same time, portraying a persona that



others aspire to become, which helps the influencer to dictate to others what they should buy.

There are a number of mechanisms that influencers employ to portray a likeable persona. Most successful influencers we studied spoke fast and in a very upbeat fashion, making them almost immediately likeable. They addressed their audience members directly, often referring to them as “you guys,” often thanking them for being the viewers, for the feedback they received on previous videos, or the suggestions they received for future videos. Indeed, managing such a personal relationship with the audience was often the most important task on the influencers’ mind. One such influencer noted:

Most ideas for my videos will start with a request from the audience. Someone will say: “How do I get the best look for the summer?” or “What to do for blemishes?” and almost everyone has some products they love, so I will do those, but also throw in ones I like. This really helps me bond with the viewers, who are everywhere, and whom I don’t really ever see.

Influencer agency representatives seconded this view:

The smartest influencers out there, the ones who really have longevity, are the ones who understand the relationship with their audience. The minute you start to think: “I’m going to do what I want to do,” and not engage with your audience, you are on a losing path. This means two things. First, you have to be authentic—if you are going to talk about surfing, you better be a surfer, and a good one at that. Second, you have to be in constant conversation with the audience, ask questions of your audience, respond authentically, recognize the nuances of the different parts of their audience, and adjust who you are. So, this means that you can’t stay the same, and will have to evolve as a person, and as an influencer, because your audience will ask you to change.

Influencers also spend a significant amount of time building seemingly personal relationships with their viewers, telling them about the various things that have happened to them in the last couple of days, some of them positive, while others less so. In the words of one influencer:

Influencers have to make sure that the “veil” has been lifted, so there’s an authenticity that just does not exist with an actor. You need to know everything about me, so you can relate to me, and relate to the highs I’m having, to the lows, to the clothing I’m wearing, to the beauty products I’m using. It’s the same reason why people like the Kardashians are so successful. It’s because you know every second of their life. You

know that they’re in hair and makeup every five seconds. Who are you going to trust for, like, “the best bronzer”? It’s a Kardashian who wears bronzer twenty-four hours a day!

To make themselves look more relatable to their viewers, the videos themselves are often taped in the living room or the bedroom of their house, surrounded by familiar objects, which makes the influencer look very relatable, almost like “one of us.” Influencers film the movies with a lower quality camera, and natural lighting, to give the appearance of an amateur video, rather than that sponsored by a corporation. Online influencers will also often create online episodes entitled “what is in my bag” during which the influencer empties the content of her bag for viewers to see what products she uses, or “tour of my house” during which the influencer shows the viewer the contents of his or her entire house. By our reckoning, such videos attract the highest number of views, suggesting how much the viewers care about understanding the whole style and the personality of the influencer.

At the same time, the online broadcasters want to portray themselves as aspirational personas that others aspire to become. A large number of successful influencers we studied are attractive, well put together, with great smiles, which makes them immediately aspirational. One industry observer noted:

I don’t think anyone really wants to sit there and admit it, that they follow people because they are envious of their lives...We want things that we can’t have, and we become involved in following these people’s lives. Successful influencers tap into that dynamic, and present a very manicured version of their lifestyle to an audience that readily accepts the “best version” of the influencer. As long as the influencer creates the sense of interest in herself or himself as a person without dispelling the myth that they lead a privileged life for others to see, they can be successful for a long time.

## Conclusions

Our paper has reviewed the key players in the area of online influence, and identified factors that allow them to maintain influence despite being paid. Taken together, these insights allow us to help marketers identify the key elements of a successful online influencer strategy. Specifically, as a brand trying to remain relevant in an era of influencer marketing, three key factors must be addressed. First, as outlined in our paper, choose influencers that have built a devoted fan base. Second, firms should ensure that the influencer’s brand is synonymous with authentic content. Decisions to follow a given influencer on YouTube or Instagram are often based on the influencer’s degree of authenticity. If an influencer is

not presented in a realistic—and yet aspirational—manner, they will not maintain their status as an influencer for long.

The analysis we presented has important industry implications for how to produce an effective influencer strategy; specifically, online influence is effective because it is not a controlled experience. The influencer has to be able to talk about a product freely, engage in direct comparisons with other brands, and identify flaws. These kinds of messages are key because these potentially negative messages are critical to establishing consumer trust. This implies that engaging with online influencers will produce a somewhat uncontrolled environment, but given that the influencers have their own brand to contend with, they need to say certain things to resonate with the audience, and continue to have influence over them. This is very different from what marketing executives are used to. In fact, the kinds of skills that were really helpful in the previous era, such as tight execution, scripting, making sure that the message was always consistent, might actually work against brands in the era of influencer marketing.

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# I Am That @Brand: How Self-Brand Connection and Narcissism Influence Social Media Interactivity and Purchase Intent

*Shannon McCarthy, University of Central Missouri*

**Keywords:** *social media, self-brand connection, narcissism, Twitter, purchase intent*

**Description:** *This research aims to better understand how self-brand connection, narcissism, and consumer likelihood to interact on Twitter help to predict consumer purchase intent.*

## EXTENDED ABSTRACT

### Research Question

Twitter is effective at facilitating consumer-brand interaction, as it allows consumers to engage with other brand community members, as well as the brand itself. The digital extended self comprises those possessions, relationships, and interactions the consumer selectively chooses to display, share, and disclose online (Belk 2013). Consumers publicly display products they feel a strong self-brand connection with, to help craft their identity. Narcissists specifically seek positively-reflective products to display to boost their image. Direct interaction with a brand acts as a publicly visible artifact of a relationship for the consumer. The current research seeks to better understand how self-brand connection, social media activity, and narcissism interact to predict purchase intent, with the expectations that (1) narcissism moderates the influence of self-brand connection on purchase intent, (2) narcissism moderates the influence of social media activity on purchase intent, and (3) self-brand connection mediates the effect of social media activity on purchase intent.

### Method and Data

260 individuals (164 males; average age 31.43) were recruited via Amazon Mechanical Turk to participate in a social media usage study. Participants were screened to ensure active Twitter usage and were asked to list their five favorite brands on social media. For their favorite of the specified brands, they were asked to rate their likelihood to interact with their favorite brand on Twitter (“How likely are you

to tweet at your favorite brand?; How likely are you to respond to a tweet by your favorite brand?” scored with a seven-point scale from “very unlikely” to “very likely”). Following this, participants completed the self-brand connection (Escalas and Bettman’s 2003 7-item, seven-point Likert scale) and purchase intent (Burton, Garretson, and Velliquette’s 1999 four-item, seven point) scales for their selected brand. Last, they were asked to rate themselves on narcissism (NPI-13) and answer demographic variable questions.

### Summary of Findings

The self-brand connection and narcissism interaction was significant, indicating self-brand connection’s effect on purchase intention depended on the level of narcissism. Greater self-brand connection was associated with higher purchase intent, while higher narcissism was associated with lower purchase intent. More narcissistic consumers had significantly lower purchase intent, compared with those less narcissism, when feeling lower self-brand connection, whereas highly narcissistic consumers had significantly higher purchase intent when feeling stronger self-brand connection (H1).

The social media activity and narcissism interaction was significant, indicating social media activity’s effect on purchase intent was dependent on narcissism. Increased social media engagement was associated with higher purchase intent, while higher narcissism was associated with lower purchase intent. More narcissistic consumers had lower purchase

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intent with lower levels of social media activity, whereas highly narcissistic consumers with higher social media activity had higher purchase intent (H2).

Consumer likelihood to interact significantly predicted self-brand connection, and self-brand connection significantly predicted purchase intent, supporting the mediational hypothesis. Tweeting still significantly predicted purchase intent after controlling for self-brand connection, consistent with partial mediation. Consumers with a stronger self-brand connection are more likely to display their brand connection prominently through their social media activity, suggesting self-brand connection grows purchase intent as consumers increase their likelihood to interact (H3).

### **Key Contributions**

These results provide support for previous research on social media as a mechanism for connection with others and

interaction as a predictor of purchase intent. Self-brand connection, likelihood to interact with a brand on social media, and narcissism all influence purchase intent, albeit in different ways. Narcissistic consumers have higher purchase intent when interacting on social media, indicating increased interaction may help signal status for those consumers. It can be posited consumers who interact with status-building entities on social media are more likely to purchase those products in their real life to continue that relationship. Mere brand engagement on social media leads to improved brand evaluations (Beukeboom, Kerkhof, and Vries 2015), with individuals seeking to engage with their preferred entities. As managers devote larger pieces of the budgetary pie to digital spending and social media, understanding the best ways to interact with consumers can lead to stronger ROI.

*References are available on request.*

# Customization in Service Pricing: How Assembling the Service Tariff Impacts Consumer Perceptions, Behavior, and Firm Profits

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**Keywords:** *pricing, toolkit menu, customization, three-part tariffs*

## EXTENDED ABSTRACT

### Research Question

In many service industries, providers introduce toolkit tariffs that allow consumers to custom-build their tariff by choosing individual items from a menu. Moreover, customers are given the opportunity to change their pricing plan at any time and without additional charges. Despite the growing proliferation of such toolkit pricing models in practice, research on the effect of customization in the price determination process on customer perceptions and actual behavior is nonexistent. In the current study, we therefore aim to investigate consumers' perception of self-designed access-based services and consumers' attribution of value in the service production. Given the service specific opportunity to change and adapt the toolkit tariff over time, our second aim is to investigate the impact of this active participation in the service production on consumer behavior over time as well as firm profitability, above and beyond customer self-selection. We build on customization literature and service pricing research and answer the following research questions: (1) Does toolkit pricing have a positive effect on customers' price perceptions and behavioral intentions? (2) Does toolkit pricing lead to an increased spending behavior? (3) Does toolkit pricing have positive long-term effects on customer behavior, and firm's profits?

### Method and Data

Study 1: Laboratory experiment using a realistic website mockup

Study 2: Survival analysis of 20 months' transactional data of 33,358 customers from a mobile phone service provider

### Summary of Findings

In a first laboratory experiment, we find that customers prefer and overvalue toolkit tariffs as compared to three-part tariffs and are more likely to select themselves into such a customized offer. Contrasting research findings on product customization, we find that toolkit customers in general rather choose cost-effective alternatives leading to a lower monthly billing rate than customers under pre-designed three-part tariffs. Moreover, this study indicates that the close fit between pricing model and preferences of the customer, and the enjoyment of the customization process are the ultimate source of value and lead to a significantly higher perceived service value. In Study 2, using transactional data of a mobile phone service provider offering a toolkit pricing model and pre-designed three-part tariffs we find that both pricing models are highly valuable for service providers. While customers under three-part tariffs spend significantly more every month, customers under toolkit tariffs display a significant decreased churn rate even when controlling for customer self-selection.

### Key Contributions

Our research offers several contributions to theory. First, this article is among the first to investigate the aspect of customization in the service price determination process and thereby advances literature on service pricing (Ascarza et al.,

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2012; Iyengar, Ansari, and Gupta, 2007; Iyengar et al., 2011). Our results are highly relevant for this respective research field because they provide a better understanding of consumer behavior under customized toolkit tariffs pricing, which has not been explored in service pricing research so far. Second, we provide a deeper understanding of customers' value perception in the customization process. We contribute to MC literature by showing that the findings from MC research (Dellaert and Stremersch, 2005; Franke, Keinz, and Steger, 2009; Merle, Chandon, Roux, and Alizon, 2010) are to some extent applicable to the service pricing context. Third, we contribute to literature on customization (Franke et al., 2009; Ranjan and Read, 2016) and pricing (Bertini and Wathieu, 2008; Lambrecht et al., 2007; Xia and Monroe, 2010) in a broader sense as this research is the first to study long-term effects of customers' active participation in the process of price determination. While MC research merely analyses the effect of customization at a single point in time (e.g. Dahl and Moreau, 2007; Franke and Piller, 2004), this article emphasizes the effect of toolkits over a certain period of time.

Beyond these theoretical insights, this article makes at least three important contributions to management. First, our

study is among the first to introduce toolkit pricing as a mechanism. Thereby, this article helps service managers to understand the benefits and value of customization in pricing. We demonstrate that toolkit pricing leads to significantly higher value perception and has a positive effect on consumer reactions (e.g. WOM intention). Understanding the drivers of customers' value perception helps marketing managers to affect customers' choice behavior. Managers could advertise the specific value of a toolkit tariff by highlighting the value obtained from the close fit between the pricing model and the individual preferences, or they could emphasize the enjoyment during the customization process. Second, this study helps managers to compare toolkit pricing and three-part pricing. Our study shows that service providers might significantly underestimate revenues of customers under toolkit tariffs if they do not sufficiently account for the long-term effect of customization in service pricing and market coverage. Third, this article provides managerial guidance on when and whether customization in service pricing should be used solely or combined with another pricing model.

*References are available on request.*

# How Do Personalized Ads Change Customer Attitude Toward Ads in Social Media? A Mediation Analysis

*Trang P. Tran, State University of New York at Oneonta*

**Keywords:** *personalization, Facebook, advertising, ad avoidance, PLS-SEM*

**Description:** *The research investigates how personalized ads change customer attitude toward the ads on Facebook through a mediation mechanism.*

## EXTENDED ABSTRACT

### Research Questions

1. Develop a comprehensive model that captures the effects of perceived personalized ads on Facebook on customer attitudinal and behavioral reactions (ad credibility, ad avoidance, ad skepticism, ad attitude, and behavioral intention) to the ad;
2. Test hypothesized relationships using two data sets collected through an online survey;
3. Develop appropriate customer segments based on personal views of personalized ads on Facebook.

### Method and Data

This research used partial least squares (PLS) path modeling analysis using SmartPLS 3. This approach is more favorably selected in path analysis than covariance based approach (i.e., LISREL or AMOS) because it is not strictly bound by an assumption of normal data distribution.

A preamble of laptop scenario was written as follows: "Imagine you were searching online to find a new laptop that meets your expectation in terms of brand, screen size, color, price and configuration. One day later when you opened your Facebook account, you recognized there was an advertisement of the laptop's brand that you had searched."

Pictures of Facebook ads were displayed on the right hand side of the preamble. This was followed by the questionnaire, demographic questions, and validation questions. Out of the sample of 711 responses collected from an online customer panel were 613 completed observations that met requirements. The demographics are as followed; more than

half of the respondents were within 20 and 30 years old (54.01%), there were more female than males (female: 55.32%, male: 44.68%), students accounted only for about one third of the total sample, most of them spent from 1 to 3 hours on Facebook a day (48.61%).

### Summary of Findings

The results show that perceived personalized ads do not have significant impact on ad avoidance (H1 is not supported), but have negative significant impact on ad skepticism (H2 is supported), positive significant impact on ad attitude (H3 is supported), positive significant impact on ad credibility (H4 is supported). However, different from what is expected, ad skepticism do not have significant impact on ad avoidance (H5 is not supported), and ad attitude (H6 is not supported). On the other hand, ad credibility has significant impact on ad avoidance (H7 is supported), ad skepticism (H8 is supported), and ad attitude (H9 is supported). Ad avoidance has significant impact on ad attitude (H10 is supported). Finally, ad attitude has positive significant impact on behavioral intention (H11 is supported).

Therefore the results lend evidence that ad credibility and ad avoidance serve as mediators of the effects of personalized ads on ad attitude. This concludes that personalized ad has a larger impact on ad attitude through ad credibility than it does through its effect on ad credibility, which influences ad avoidance.

### Key Contributions

From a research perspective, this research is the first of the kind implemented in response to the application of new adver-

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tising technology as part of integrated efforts between IBM and Facebook to see whether personalization in advertising changes customer's perception about the ads on Facebook. The findings of the research pave the way for future study on this important on both theoretical and managerial contributions.

Managerially, three market segments including Ad Lovers, Ad Accommodators, and Ad Haters provide invaluable data

for e-retailers that help them tailor appropriate advertising strategies to targeted market segments, potentially leading to improved efficiency and effectiveness of advertising budget and enhanced customer attitude toward the ad.

*References are available on request.*



# Targeted Promotions and Cross-Category Spillover Effects

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**Keywords:** *targeting, search, spillover, field experiments, promotions*

**Description:** *We use field experiments on an online ticket exchange and a mobile e-book reading app to demonstrate how targeted promotions can decrease cross-category search and purchasing.*

## EXTENDED ABSTRACT

### Research Question

We investigate whether targeted promotions have spillover effects on cross-category sales. Promotions that are personalized based on customer purchase histories often end up offering customers products similar to those they have purchased in the past. While this can increase direct response, it also can reduce customer's active role in information search, since they have less incentive to continue searching. As a result, targeted promotions could have negative spillover effects on cross-category sales.

### Method and Data

Our findings are based on a series of field experiments, in two separate empirical settings: a mobile e-book app, and an event ticket sales platform. Customers are sent promotions for different categories or genres that fit with their purchase histories (targeted) or do not fit (untargeted). In each case, we compared same category and cross category sales to randomized holdout groups. In one study, we also collected detailed usage data that allowed us to look at the effect on search.

### Summary of Findings

We found that, while targeted promotions increased sales for promoted products, and generated positive spillovers in the

same category, they caused negative spillovers for cross-category sales. In one study, the negative spillovers even outweighed the positive targeting effects; the untargeted promotion generated higher total sales in the post-promotion period. The mechanism for the negative spillovers appears to be from a reduction in search activity when a customer receives a targeted promotion.

### Key Contributions

Our findings reveal some of the opportunity costs of highly targeted promotions. Promotions that are optimized for direct response may forfeit opportunities for cross-selling, to the point where they could even reduce total sales. From the customer's perspective, reduced search costs may be more efficient, but less active search can result in less exploration and discovery. These findings add to our understanding of the drawbacks of highly personalized marketing, which focus on privacy concerns and competitive effects.

*References are available on request.*

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# Optimal Time Limits for Online Promotions: Balancing Customer Awareness and Urgency

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**Keywords:** *online promotion, urgency, sensitivity analysis, time limit, discount, awareness, manager inaccuracy*

Companies spend hundreds of billions of dollars per year on trade promotions. This level of commitment (upwards of 20% of gross sales and 50–60% of total marketing spend) would seem to suggest that promotions are at least generally effective. Contrary to this notion, Nielsen (2014) reviewed 92 million promotion-event weeks for 800,000 Universal Product Codes (UPCs) and found that two-thirds of promotions failed to break even, and that over half of the money invested failed to produce the growth expected by manufacturers and retailers. Similarly, IRI data for the total US food industry reveals that promotional lift has declined each of the last five years, from 90.9% in 2011 to 75.4% in 2015 (Acosta 2016). At the same time, some managers appear to have an advantage. Specifically, Nielsen's (2014) data reveals that the best promoters see their promotions perform five times better than the worst promoters. One potential explanation for this disparity is that managers differ both in their understanding of how consumers respond to promotions and in their ability to translate this knowledge into profit-optimizing tactics. We examine this issue in the context of price promotions, the most common form of trade promotion (Darke and Chung 2005).

A standard price promotion requires managers to select values for two key parameters: the size of the discount and the duration of its availability (i.e., the time limit). Time limits serve several practical purposes, such as adhering to pricing regulations, capping financial liability, exercising price discrimination, and facilitating stock planning. However, in practice, and in the literature, attention has generally been focused on the discount size decision (e.g., Eisenbeiss, Wilken, and Cornelissen 2015). This may occur because the size of a discount is more closely aligned with performance

metrics and indicates the extent to which a price (and thus the profit margin) has been reduced. Additionally, even temporarily lowering a price raises concerns about inadvertently diminishing brand perceptions (Dodson, Tybout, and Sternthal 1978) and lowering price expectations (e.g. Gupta and Cooper 1992).

More recently, managers have begun to experiment with new and enhanced capabilities to target, convey, and execute promotion time limits (Johnson, Tellis, and Ip 2013; Swain, Berger, and Weinberg 2014). For example, Best Buy conveys three-hour "flash" discounts via email. Banana Republic advertises discounts that are initially large but decline over time at prescribed intervals. Living Social, a daily deal site, provides discounts on durables lasting mere minutes, as well as discounts on local merchant services that have separate time limits on availability and consumption. Amazon advertises "lightning" discounts through email subscriptions, a mobile app, Twitter, and Facebook, complete with live countdown timers to indicate when an offer expires as well as when new offers commence. Despite intensified managerial interest, the literature continues to offer little guidance for understanding the potential impact of time limits on the profitability of promotions. This is surprising in light of evidence from behavioral studies that time limits do not merely serve to raise (aggregate) awareness but instead can also influence how consumers perceive and value the offering after they become aware of it (e.g., Inman, Peter, and Raghurir 1997).

At a basic level, time limits can be thought of in terms of inherent tradeoffs. Longer time limits give consumers more opportunity to become aware of a promotion but may

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encourage decision delay and forgetting (Inman and McAlister 1994). Similarly, shorter time limits may enhance consumers' urgency or perceived need to take action sooner rather than later but may be perceived as inconvenient (Swain, Hanna, and Abendroth 2006). A further complexity that must be considered is that the effects of time limits on consumer responses may differ depending on the size of the discount and the purchase context. For example, managers who infrequently discount may find that consumer urgency is relatively high for all levels of discounts, leaving little room for time limits to have an impact. In contrast, other managers may operate in contexts where the effects of discount levels on consumer urgency depend on whether consumers view a time limit as enhancing or detracting from the credibility of the discount (Krishna et al. 2002).

To aid managers in the complex task of optimizing the profitability of a price promotion with respect to its discount size and time limit, we introduce a model-building approach that minimizes the burden on managers' resources while also leveraging their unique knowledge of their customers. The proposed approach is illustrated in a collaboration with the managers at an online retailer that frequently uses price promotions in its direct-marketing channels. The next section introduces a proposed model of the (joint) effects of discount sizes and time limits on promotion profitability. This is followed by a description of a real-world application of the model, and corresponding sensitivity analyses to selected model parameters. We conclude with a discussion of the implications of this research for managers and researchers.

## An Urgency-Based Model of Promotional Response

The total profit per customer solicited as a function of time limit ( $t$ ) and discount size ( $D$ ), denoted  $\Pi_{t,D}$ , can be calculated by multiplying the unit net profit,  $(M - D)$ , where  $M$  is the gross unit margin before discount (in \$), by the response rate  $R_{t,D}$ , or the proportion of solicited customers who ultimately make a purchase. This can be expressed as:

$$\Pi_{t,D} = (M - D) \cdot R_{t,D} \quad (1)$$

$$R_{t,D} = A_t \cdot V_D \cdot U_{t,D} \quad (2)$$

We conceptualize  $R_{t,D}$  in terms of three multiplicative components (see equation 2). The first component,  $A_t$ , represents the relationship between the length of the time limit and consumers' aggregate *awareness* of the offer. In general, offers with longer time limits allow more opportunities for previously unaware consumers to become aware. The second component,  $V_D$ , represents the relationship between the discount size and whether or not "aware" customers *value* the incentive enough to make a purchase. Thus,  $V_D$  incorporates

the basic attractiveness of the discount incentive by describing the demand for the promoted item at the discounted price. Considered together,  $A_t$  and  $V_D$  capture the profit potential of the offer if we assume that the only effect of time is to increase aggregate awareness and that the only effect of discount size is to encourage individuals to decide to respond or not respond. Neither  $A_t$  nor  $V_D$  is assumed to be linear. However, even customers who are aware of an attractive offer may ultimately fail to make a purchase due to insufficient or untimely motivation to complete the actions required to respond. Or, as put by Tversky and Shafir (1992, p. 361), "It is difficult to overestimate the significance of the tendency to delay decisions. Many things never get done not because someone has chosen not to do them, but because the person has chosen not to do them *now*." Consistent with this notion, the third component of the response function,  $U_{t,D}$ , reflects a customer's sense of *urgency* about the offer. A key feature of the urgency component is its ability to model interactive effects of discount size and time limit.

In the next section, we further motivate and elaborate the component functions (awareness, valuation [of incentive], and urgency) that comprise the overall promotion response model. We then describe a real world application of the model and assess its robustness (i.e., sensitivity to model parameter values) and implications for managers and for future research.

## Awareness Function, $A_t$

In most cases, consumers do not know the discount level or time limit associated with an offer until they become aware of it. Mahajan, Muller, and Sharma (1984) compared five different awareness models used in advertising and promotions. Most of these models share a similar formulation in which awareness grows exponentially but has a saturation point due to a variety of factors such as lack of interest and lack of exposure (Pringle, Wilson, and Brody 1982). Accordingly, we propose that awareness of an offer is an increasing function of time alone and formulate it as follows (see Figure 1):

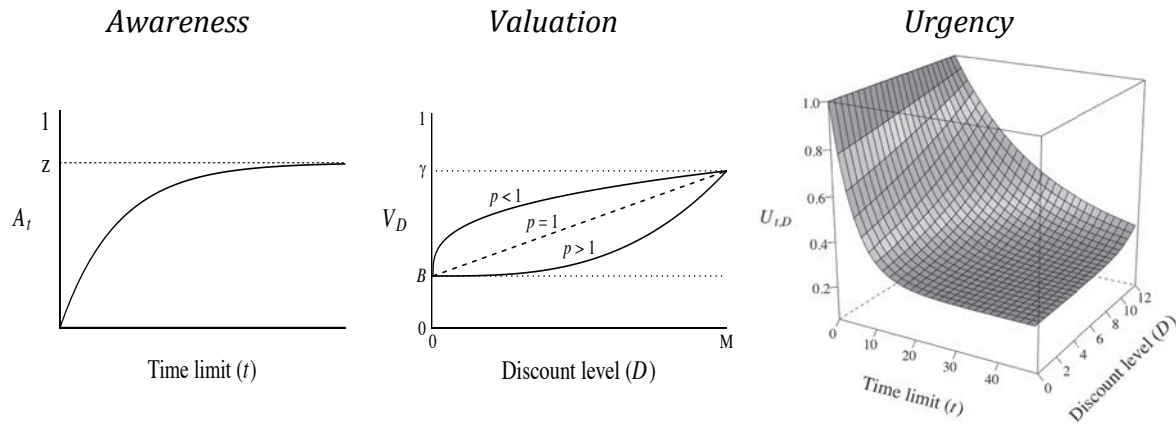
$$A_t = z(1 - e^{-at}) \quad (3)$$

The parameter  $a$  is the "awareness" term (larger values indicate that awareness grows more steeply with time). The variable  $t$  refers to the time limit, while the constant  $z$  reflects the proportion of customers who would become aware as  $t \rightarrow \infty$  (i.e., the saturation point).

## Valuation Function, $V_D$

The positive impact of discount size on consumers' responses to promotional offers is intuitive and well documented, (e.g., Della Bitta, Monroe, and McGinnis 1981). However, there has been a minor debate in the literature over

**Figure 1.** Illustrative Shapes of the Profit Function Components



whether customer responses to increasing incentives are best modeled as increasing linear, convex, concave, or S-shaped functions (Blattberg, Briesch, and Fox 1995). Wisniewski and Blattberg (1983) conducted preliminary research and found the response curve to be S-shaped. However, this work included promotions from multiple categories and therefore may have been confounded by different product responses. Blattberg and Wisniewski (1987) followed up this earlier work by testing different curves within product categories. They concluded that, over the relevant range of discounts, deals tend to follow an increasing returns curve (or convex) and not an S-shaped curve. More recently, Berger and Weinberg (2014) suggest that the choice between concave and S-shaped models may not be material since the optimal solutions for the vast majority of real world market response models occur in the concave region of S-shaped models. Since this issue is, perhaps, not fully resolved in the literature, we develop a flexible functional form that allows for concave, linear, and convex shapes, depending on the information supplied by a company's management:

$$V_D = (\gamma - B) \left( \frac{D}{M} \right)^p + B \quad (4)$$

where:

$D$  = size of the discount offered (in dollars)

$M$  = gross unit margin before discount (in dollars)

$B$  = proportion of solicited customers who will purchase even when  $D = \$0$

$\gamma$  = maximum proportion of solicited customers who would purchase if  $D = \$M$

$p$  = a constant that determines the shape of the  $V_D$  valuation curve.

Note that  $B$  is constrained to values between 0 and 1 to reflect the potential proportion of customers who would purchase the promoted product even when no discount is offered. Additionally, even when a company offers a discount equal to its profit margin (i.e.,  $D = M$ ), rarely will all solicited customers make a purchase. Thus,  $B$  is also constrained to be less than  $\gamma$ , the latter, in turn, also constrained to be less than 1. While we acknowledge the existence of occasional "loss-leader" tactics, where typically  $D > \$M$ , our modeling context is focused on single-period, single promotion scenarios involving independent promotions. Assuming no "carry-over effect," then, the company would not set  $D \geq \$M$ . Note that in order for the function to assume the proper shapes,  $p$  is constrained to be greater than 0. When  $0 < p < 1$ , the curve is concave; when  $p = 1$ , the curve is linear; and when  $p > 1$ , the curve is convex (see Figure 1).

### Urgency Function, $U_{t,D}$

Larger discounts enhance the perceived value of a promoted item and thus generate greater urgency or excitement about an offering (Blattberg and Neslin 1990; Chandon, Wansink, and Laurent 2000). Discounts can also encourage consumers to view purchases as less consequential, leading to less deliberative thinking and greater emphasis on affective responses to offers (Aydinli, Bertini, and Lambrecht 2014; Carlson, Weathers, and Swain 2016). Similarly, shorter time limits enhance urgency by triggering low level cognitive processes associated with pressure, resulting in an elevated orientation towards taking action (Blattberg and Neslin 1990). Conversely, longer time limits do not convey a sense of pressure or constraint and thus encourage decision delay (Aggarwal and Vaidyanathan 2003; Anderson 2003). In turn, decision delay enhances the likelihood of memory decay (Villas-Boas and Villas-Boas 2008) as well as reduced

salience due to exposure to attractive offers from competitors (Kaltcheva, Winsor, Patino, and Shapiro 2013).

However, these effects of discount size and time limit on urgency are not likely to be simply additive. First, time limits often convey to consumers that an offering is scarce or in high demand and thus shorter time limits can increase the excitement generated by a given discount (Folger 1992; Inman, Peter, and Raghubir 1997). This effect may also vary depending on the type of product or service. For example, Eisenbeiss, Wilken, and Cornelissen (2015) find that time limits influence deal evaluations (and thus urgency) differently for hedonic versus utilitarian offerings. Second, when consumers perceive a price promotion as valuable they may feel that missing out on the opportunity is a “loss” (Howard, Shu, and Kerin 2007). Shorter time limits make the possibility of experiencing a loss more salient and vivid, leading to greater feelings of anticipated regret and thus greater urgency to take action to prevent the loss (Inman and McAlister 1994). Third, time limits can alter the extent to which consumers pay attention to discount information. For example, shorter time limits may encourage consumers to focus more on concrete attributes (e.g., discount size) versus abstract attributes (e.g., the fit of the incentive type with personal values).

To accommodate potential interactive effects of time limits and discounts, we formulate the urgency function,  $U_{t,D}$  as follows:

$$U_{t,D} = (1 - w) \cdot e^{-ut\left(\frac{M+\alpha D}{M}\right)} + w \quad (5)$$

In (5),  $u$  can be thought of as a “lack of urgency” parameter (or equivalently,  $-u$  can be thought of as an “urgency” parameter) that produces lower urgency at longer time limits,  $t$ . Similarly,  $\alpha$  is a constant ( $\alpha \geq -1$ ) that quantifies the impact of on the relationship between and urgency (see Figure 1 for an illustration of the urgency function). As  $\alpha$  increases, all else equal, the urgency function drops more steeply with increasing  $t$ ; therefore, increasing  $t$  hurts response more. When  $\alpha$  decreases, all else equal, urgency drops less steeply with increasing  $t$ ; therefore, increasing  $t$  does not penalize response as much. When  $\alpha = 0$ , urgency drops with increasing  $t$  in a manner independent of  $D$ . The constant  $w$  represents the proportion of customers responding even if  $t \rightarrow \infty$  and thus can be thought of as the minimum urgency for the promotion.

Substituting the component functions (awareness, valuation, and urgency) into (2) yields:

$$R_{t,D} = [z(1 - e^{-at})] \cdot [(\gamma - B) \left(\frac{D}{M}\right)^p + B] \cdot [(1 - w) \cdot e^{-ut\left(\frac{M+\alpha D}{M}\right)} + w] \quad (6)$$

Substituting into (1) yields the profit function:

$$\Pi_{t,D} = (M - D) \cdot [z(1 - e^{-at})] \cdot [(\gamma - B) \left(\frac{D}{M}\right)^p + B] \cdot [(1 - w) \cdot e^{-ut\left(\frac{M+\alpha D}{M}\right)} + w] \quad (7)$$

## Real World Application of the Model

Our urgency-based promotion response model was field-tested by collaborating with managers at an online retailer who markets a variety of home furnishing products. The managers desired assistance with respect to an email promotion involving a price discount for a new product offering. The promotion was targeted at a list of prior customers who appeared in a carefully maintained database.

We commenced by conducting in-depth interviews with the managers and by reviewing historical records regarding customer responsiveness to prior promotional offers in the email marketing channel. For the focal product, the managers indicated that the regular price was \$24.99 with a variable cost of \$12.99. Thus, the marginal contribution ( $M$ ) is \$12. We next employed the method of decision calculus (Little, 1970, 1979) to gather additional information that was not available in the retailer’s records or could not be developed without lengthy and costly experimentation. Briefly, decision calculus involves asking managers simple questions about specific operational scenarios to tap their expert judgments about the responses of customers to marketing inputs. In this way, the method provides access to intangible data and has the desirable side effects of engaging managers in the modeling process and enhancing the likelihood that they will understand and use the resulting model.

The resulting functions were reviewed and refined by the management team to ensure that the values reflected their archival data and experience with customers. After the models were finalized, the managers were asked to indicate how certain they were about their input judgments. This information allowed for focused assessments of the model’s sensitivity with respect to managerial inaccuracies. We next describe the managers’ inputs and show how the information is used to derive the response function.

Managers first estimated the proportion of customers who would become *aware* of a promotional offer for the product if there was no time limit ( $t \rightarrow \infty$ ). Awareness was defined in terms of customers opening and reading the email as opposed to immediately deleting it without examination). The answer was 0.80 and thus  $z = 0.80$ . Managers next estimated the proportion of customers who would become aware of a promotional email offer if it had a time limit of 14 days. The reported value was 0.65. Thus, along with “knowing”, we solved for  $a$  in (3), arriving at a value of 0.1196.



Managers then received questions pertaining to the urgency function. First, the managers estimated the reduction in the proportion of customers who would otherwise consummate the offer for (i.e., respond to) the product if there were no deadline (compared to, essentially, the case of instant decision making). The estimate was 0.75. This provides us with the value of  $(1 - w)$ , indicating that 25% of customers who are aware would respond if the deadline were infinite. We next inquired about the proportion of customers who would buy the product if there were no discount ( $D = 0$ ) and the time limit were 14 days (again compared to, essentially, the case of instant decision making). Management's reply was 70%, indicating that the extended deadline, while increasing the proportion of consumers who would become aware, would reduce the response rate by about 70% when the discount is \$0; alternatively, it can be said that 30% of those who would have bought at no discount would respond were the time limit 14 days. Thus, we solve for  $u$  as follows:

$$U_{t=14,D=0} = 0.30 = (1 - w) \cdot e^{-ut\left(\frac{M+\alpha D}{M}\right)} + w$$

$$u = 0.1934$$

We then asked what would be the reduction in the proportion of customers would buy the product (compared to the case of instant decision making) if the time limit was 14 days and the product carried the maximum discount (i.e.,  $D = \$M$ ). The reply was 35% and thus, the response is 0.65. Using  $w = 0.25$  and  $u = 0.1934$ , we can derive  $\alpha$  as follows:

$$U_{t=14,D=12} = 0.65 = (1 - w) \cdot e^{-ut\left(\frac{M+\alpha D}{M}\right)} + w$$

$$\alpha = -0.7679$$

Finally, we asked the managers questions to determine three points on the overall response curve. Specifically, we asked what the response would be for a promotional offer for the product if it was associated with a deadline of 14 days and either *no discount*, ( $D = \$0$ ), a *typical discount*, ( $D = M/2 = \$6$ ), or the *maximum discount*, ( $D = M = \$12$ ). The managers provided the following answers:

$$R_{t=14,D=0} = 0.005, R_{t=14,D=6} = 0.03, R_{t=14,D=12} = 0.12$$

From these values, and using  $z = 0.80$ ,  $a = 0.1196$ ,  $u = 0.1934$ , and  $\alpha = -0.7679$ , we can derive  $\gamma$ ,  $B$ , and  $p$ . When  $D = 0$ ,  $R_{t,D}$  simplifies to a form that allows solving for  $B$ :

$$R_{t,D=0} = 0.005 = [z(1 - e^{-at})] \cdot B \cdot [(1 - w) \cdot e^{-ut} + w]$$

$$B = 0.0256$$

When  $D = M$ , the response function simplifies to a form that allows solving for  $\gamma$ :

$$R_{t,D=M} = 0.12 = [z(1 - e^{-at})] \cdot \gamma \cdot [(1 - w) \cdot e^{-ut(1+\alpha)} + w]$$

$$\gamma = 0.2824$$

And finally, when  $D = \frac{1}{2}M$ ,  $R(t, D)$  simplifies to a form that allows solving for  $p$ :

$$R_{t,D=\frac{1}{2}M} = 0.03 = [z(1 - e^{-at})] \cdot \left[(\gamma - B)\left(\frac{1}{2}\right)^p + B\right] \cdot [(1 - w) \cdot e^{-ut\left(1+\frac{\alpha}{2}\right)} + w]$$

$$p = 1.49$$

With all of the parameter values derived, we can simultaneously solve for the optimal  $D$  (denoted  $D^*$ ) and the optimal  $t$  (denoted  $t^*$ ) in the profit function (7) using numerical optimization. We find that  $D^* = \$7.62$  and  $t^* = 9.9$  days (see Figure 2). With these optimal values,  $R_{t^*,D^*} = 0.0463$  and  $\Pi_{t^*,D^*} = \$0.2031$  per customer solicited. Additionally, we observe that  $\alpha < 1$ , indicating that as  $D$  is increased, the impact of (lack of) urgency due to the passage of time is less harmful.

## Sensitivity Analyses

In this section we consider two types of sensitivity analysis in order to gain fuller insights into the usefulness of the proposed urgency function for modeling the interactive effects of time limits and discount levels on profitability. First, we examine the sensitivity of the model outputs with respect to changes in the marketing environment. We focus on environmental changes that directly influence the urgency parameter,  $u$ , and the associated urgency interaction coefficient,  $\alpha$ . Specifically, we consider the influence of changes in the true values of urgency for a "typical" time limit (14 days) that is associated with either no discount ( $U_{t=14,D=0}$ ) or with a maximum discount ( $U_{t=14,D=12}$ ). Second, we investigate the sensitivity of profit to inaccuracy in the managers' estimates of the true values of these urgency function inputs.

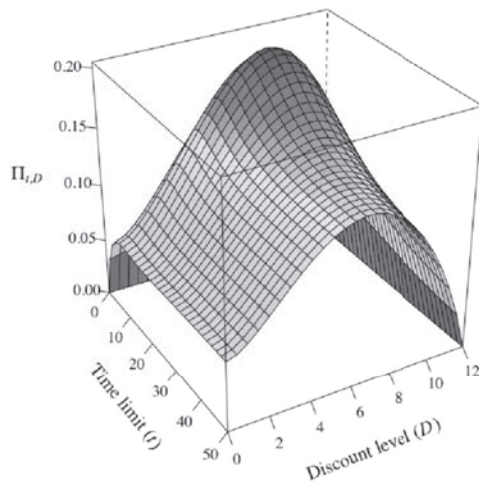
## Sensitivity of Model Outputs to Changes in the True Urgency Function

In this section we consider the impact of changes in the true value of urgency on the optimal discount and time limit (and corresponding predicted response rate and profit). Table 1 shows the values of  $p$ ,  $D^*$ ,  $t^*$ ,  $R_{t^*,D^*}$ , and  $\Pi_{t^*,D^*}$ , for changes in  $\alpha$  due to changes in urgency when no discount is present ( $U_{t=14,D=0}$  – first column) and when the maximum discount is present ( $U_{t=14,D=12}$ ). We can see that  $p$  decreases with  $\alpha$  decreasing, suggesting that customer response to the promotion as a function of the discount is less steeply convex. Correspondingly,  $D^*$  is also decreasing. At the same time, the optimal time limit is increasing.

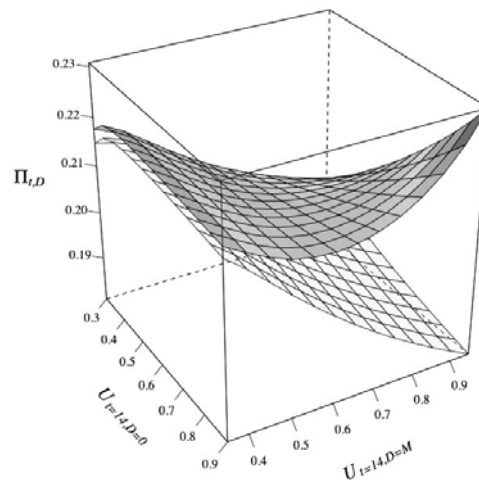
The results of the sensitivity analysis also provided the managers with valuable information about their current operational heuristics. First, whereas the managers believed



**Figure 2.** Profit as a Function of Time Limits, Discount Levels, and Managerial Inaccuracy



Determination of optimal time limit and discount level for the current data context



Sensitivity of optimal profit (upper surface) to true changes in customer urgency versus sensitivity of (sub)optimal profit (lower surface) to managerial inaccuracy regarding customer urgency

that a discount level of around 25% (\$6.25 off the regular price of \$24.99) was effective, we find that a discount of around 30% is optimal for the current conditions and that a discount of around 32% would be optimal for nearly any potential change in the true urgency function (See  $D^* = 7.62$  in the bolded row in first section of numbers in Table 1). Second, we find that the managers' "typical" time limit of 14 days is too long for the current conditions and for many of the potential changes in the true urgency function. However, there are also potential changes in the true urgency function that call for time limits significantly longer than 14 days.

### Sensitivity of Profit to Managerial Inaccuracy

In this section we consider the sensitivity of the profit function with respect to the accuracy of the managers' inputs. Recall that the managers' observations and estimates resulted in a parameterized model where the values of  $t^* = 9.9$  days and  $D^* = 7.62$  produced the optimal profit,  $\Pi_{t^*, D^*} = \$0.201$  per customer emailed. However, it is possible that the managers' observations and estimates contain inaccuracies (e.g., overestimations and/or underestimations). Even if the managers are, in reality, perfectly accurate, they may still harbor uncertainty about some of their inputs. Thus, it is important to assess the extent to which there is "punishment" (i.e., reduction of achievable profit) associated with managers' real or suspected inaccuracies.

Let us assume that after providing their inputs, the managers' implement the email promotion using  $t^*$  and  $D^*$ . We now assume that their estimates of the urgency function inputs,  $U_{t,D} = 0$  and  $U_{t,D} = M$ , are inaccurate, leading to improper values for the derived urgency parameters  $u$  and  $\alpha$  and thus improper calculated values for overall response and profit.

Table 1 reports the (suboptimal) values of  $\Pi_{t=9.9, D=7.62}$  for different (true) values of  $U_{t,D} = M$  and  $U_{t,D} = 0$ , as well as the percent decrease in  $\Pi_{t=9.9, D=7.62}$  from  $\Pi_{t^*, D^*}$ . The analysis reveals that profit suffers the least (1-4%) when managers simultaneously underestimate customer urgency with respect to the maximum discount ( $U_{t,D} = M$ ) and overestimate it with respect to minimal urgency ( $U_{t,D} = 0$ ). In contrast, overestimating urgency for both discount scenarios leads to progressively larger losses in profit (see Figure 2). For example, if  $U_{t=14, D=0}$  is truly 0.50 (instead of .30), and  $U_{t=14, D=12}$  is truly 0.85 (instead of 0.65), profit is reduced 5.65%.

### Summary and Discussion

Prior research involving promotion response models has largely overlooked the impact and optimization of time limits on customer response. We address this issue by developing a model in which time limits not only impact the level of customer awareness but also the sense of urgency that customers feel about an offer. Further, we incorporate the pos-

**Table 1.** Sensitivity of Model Outputs to Changes in Urgency and to Manager Inaccuracy

$U_{t=14,D=0}$	$U_{t=14,D=12}$	$\alpha$	$p$	$D^*$	$t^*$	$R_{t^*D^*}$	$\Pi_{t^*D^*}$	$\Pi_{subopt}$	$\Delta\Pi$
<b>0.30</b>	0.35	-0.2560	2.09	7.98	8.2	0.0541	0.2176	0.2146	-1.35%
	0.45	-0.5119	1.86	7.87	8.9	0.0516	0.2131	0.2119	-0.60%
	0.55	-0.6617	1.66	7.74	9.5	0.0487	0.2077	0.2075	-0.13%
	<b>0.65</b>	<b>-0.7679</b>	<b>1.49</b>	<b>7.62</b>	<b>9.9</b>	<b>0.0463</b>	<b>0.2031</b>	<b>0.2031</b>	<b>0.00%</b>
	0.75	-0.8503	1.33	7.51	10.3	0.0443	0.1992	0.1990	-0.11%
	0.85	-0.9176	1.20	7.41	10.7	0.0427	0.1961	0.1953	-0.38%
	0.95	-0.9745	1.08	7.32	11.0	0.0413	0.1935	0.1920	-0.78%
0.40	0.35	0.2516	2.28	8.00	8.8	0.0552	0.2209	0.2186	-1.03%
	0.45	-0.1790	2.12	7.96	9.8	0.0533	0.2153	0.2143	-0.48%
	0.55	-0.4308	1.97	7.90	10.8	0.0511	0.2097	0.2087	-0.49%
	0.65	-0.6095	1.84	7.85	11.6	0.0495	0.2053	0.2033	-0.95%
	0.75	-0.7481	1.72	7.83	12.5	0.0484	0.2020	0.1985	-1.74%
	0.85	-0.8614	1.61	7.82	13.3	0.0478	0.1997	0.1942	-2.77%
	0.95	-0.9571	1.52	7.85	14.2	0.0477	0.1983	0.1903	-4.00%
0.50	0.35	0.8345	2.39	8.02	9.1	0.0556	0.2211	0.2191	-0.91%
	0.45	0.2034	2.27	8.01	10.4	0.0539	0.2153	0.2138	-0.72%
	0.55	-0.1657	2.14	7.97	11.6	0.0521	0.2101	0.2075	-1.27%
	0.65	-0.4277	2.02	7.94	12.7	0.0508	0.2065	0.2016	-2.35%
	0.75	-0.6308	1.92	7.93	13.9	0.0502	0.2043	0.1964	-3.84%
	0.85	-0.7968	1.82	7.95	15.1	0.0503	0.2033	0.1918	-5.65%
	0.95	-0.9372	1.74	8.01	16.6	0.0510	0.2036	0.1877	-7.77%
0.60	0.35	1.6433	2.47	8.04	9.4	0.0558	0.2208	0.2188	-0.87%
	0.45	0.7340	2.37	8.04	10.8	0.0543	0.2151	0.2129	-1.06%
	0.55	0.2021	2.26	8.00	12.2	0.0526	0.2105	0.2061	-2.09%
	0.65	-0.1753	2.15	7.98	13.6	0.0516	0.2077	0.2000	-3.75%
	0.75	-0.4681	2.05	7.98	15.1	0.0514	0.2067	0.1945	-5.87%
	0.85	-0.7073	1.97	8.01	16.7	0.0519	0.2072	0.1898	-8.41%
	0.95	-0.9095	1.89	8.08	18.8	0.0534	0.2093	0.1855	-11.37%
0.70	0.35	2.9433	2.54	8.06	9.6	0.0559	0.2203	0.2183	-0.88%
	0.45	1.5868	2.45	8.05	11.2	0.0544	0.2149	0.2118	-1.42%
	0.55	0.7932	2.35	8.02	12.8	0.0530	0.2109	0.2048	-2.91%
	0.65	0.2302	2.25	7.99	14.4	0.0522	0.2091	0.1984	-5.09%
	0.75	-0.2065	2.16	7.99	16.2	0.0522	0.2092	0.1929	-7.82%
	0.85	-0.5633	2.07	8.02	18.3	0.0531	0.2113	0.1880	-11.04%
	0.95	-0.8650	2.00	8.10	21.1	0.0552	0.2156	0.1837	-14.83%
0.80	0.35	5.4944	2.60	8.07	9.7	0.0559	0.2197	0.2177	-0.91%
	0.45	3.2603	2.52	8.06	11.5	0.0545	0.2147	0.2108	-1.80%
	0.55	1.9534	2.42	8.02	13.2	0.0532	0.2114	0.2035	-3.71%
	0.65	1.0261	2.33	7.99	15.1	0.0525	0.2105	0.1971	-6.39%
	0.75	0.3069	2.24	7.98	17.2	0.0527	0.2119	0.1914	-9.69%
	0.85	-0.2808	2.16	8.00	19.9	0.0540	0.2158	0.1864	-13.59%
	0.95	-0.7776	2.09	8.08	23.8	0.0568	0.2227	0.1821	-18.24%
0.90	0.35	13.0832	2.65	8.08	9.9	0.0559	0.2191	0.2170	-0.96%
	0.45	8.2384	2.58	8.07	11.8	0.0546	0.2145	0.2098	-2.17%
	0.55	5.4044	2.49	8.02	13.7	0.0533	0.2119	0.2024	-4.49%
	0.65	3.3937	2.40	7.98	15.8	0.0527	0.2120	0.1958	-7.64%
	0.75	1.8340	2.32	7.96	18.3	0.0531	0.2148	0.1901	-11.50%
	0.85	0.5596	2.24	7.96	21.7	0.0547	0.2206	0.1851	-16.10%
	0.95	-0.5178	2.17	8.03	27.3	0.0581	0.2308	0.1806	-21.72%

Notes:  $\Pi_{subopt}$  occurs when  $U_{t=14,D=0}$  and  $U_{t=14,D=M}$  are inaccurate, leading to usage of  $t = 9.9$  and  $D = 7.62$  in scenarios where these values are unlikely to be optimal. Bolded values are the assumed true environment.

sibility that the impact of time limits on urgency can be moderated by (i.e., interact with) the level or size of the incentive (discount) offered.

In collaboration with managers at an online retailer, we demonstrate application of the model to a direct (email) marketing price promotion. In this context, we show that there is an optimal promotion configuration and that whereas urgency always declines with longer time limits, it does so less steeply when accompanied by larger discounts. To shed further light on the interplay of time limits and discount sizes on customer response, we conducted two types of sensitivity analyses. The first type considered how the optimal time limit, discount level, and profit varied with changes in the marketing environment that influence the parameters associated with the urgency function. We found that whereas the managers rarely offered a discount larger than 25%, the optimal discount for the current case and across a wide variety of changes in their environment is between 30–32%. We also found that whereas the managers typically used a time limit of two weeks, the optimal time limit in their current context was shorter and that changes in the environment could call for time limits that are even shorter or significantly longer than two weeks. The second type of sensitivity analysis considered the profit implications of inaccuracy in the managers' estimates of the true values that influence the parameters associated with the urgency function. We found that underestimating customer urgency at the maximal discount ( $U_{t,D} = M$ ) but overestimating it at the minimal discount ( $U_{t,D} = 0$ ) leads to the least profit loss. However, overestimating urgency for both scenarios leads to increasingly large losses in profit.

The results of this research point to several avenues for further research. First, the promotional model is built at the aggregate (customer list) level. Accordingly, an important challenge for future research is to introduce customer heterogeneity. For example, Alford and Biswas (2002) find that sale proneness impacts consumers' deal evaluations, search intentions, and purchase intentions whereas price consciousness only affects search intentions. By factoring in such individual response characteristics, marketers can create personalized promotional offers.

A second promising avenue for future research is to consider the impact of constraints on the allowable combinations of discount sizes and time limits. Managers may wish to impose such constraints if they believe that consumers are suspicious of large discounts with long time limits ("too good to be true") or small discounts with short time limits ("too bad to be true"). Recent research validates this concern, finding that offers which violate consumers' expectations can provoke suspicion about product quality and the firm's intentions in the absence of an appropriate rationale (Weathers, Swain, and Makienko 2015).

Finally, more research is needed to understand the effects of reminders in promotion profit models. This may become an increasingly important factor as digital marketing technologies expand managers' abilities to send customized reminders. For example, customers frequently share information about their location, thus allowing for reminders triggered by geographic proximity to a participating retailer. Similarly, social media, direct marketing channels, and commercial websites may allow managers to send reminders to consumers based on behavioral triggers such as social media posts, web searches, and click-stream activity.

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# Part E

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# “Too Bad to Be True”: The Effect of Guilt Appeal Intensity in Cause-Related Marketing

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**Keywords:** *cause-related marketing, guilt appeal, experiment, partial least squares, corporate image*

**Description:** *This study examines how the different levels of intensity of guilt appeals influence consumer perceptions towards cause-related marketing campaigns.*

## EXTENDED ABSTRACT

### Research Questions

Companies are increasingly investing in cause-related marketing (CM) campaigns. As part of their investments in CM, appeals to consumer emotions, such as guilt, are frequently used. Despite their pervasiveness, evidence on the efficacy of CM campaigns leveraging guilt appeals is still sparse. In particular, the role of guilt appeal *intensity* has been overlooked in prior research. Further, knowledge on the psychological mechanisms through which guilt appeals in CM campaigns influence consumer perceptions of the brand is scarce. Understanding how guilt appeal intensity in CM advertising campaigns influences customer perceptions is, however, crucial for companies investing in CM. Drawing upon social identity and attribution theories, the present study attempts to answer the following three key research questions:

1. How guilt appeals of different intensity levels evoked by CM campaigns influence consumer perceptions of corporate image?
2. What are the psychological processes through which guilt appeals in CM campaigns influence consumer perceptions of corporate image, and specifically, whether con-

sumer-company identification and inferred motive mediate the relationship between guilt appeal intensity and corporate image?

3. What is the impact of corporate image on consumer purchase intentions?

### Method and Data

The study employed a between-subjects experiment with randomization. Guilt appeal intensity was manipulated at high and low levels. Based on a pre-test, three social causes and real brands were selected - H&M, Samsung and Subway. Data were collected employing a self-completion questionnaire using tablet PC devices. Participants were presented with an ad clip containing information about the brand and its engagement in supporting social causes, and the manipulation of guilt appeal intensity. Next, they answered questions related to customer-company identification (CCI), corporate image (CI), inferred motive (IM) and purchase intentions (PI). Data were analyzed employing the Partial Least Squares approach to Structural Equation Modeling (PLS-SEM).

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## Summary of Findings

Guilt appeal intensity in CM campaigns is found to differentially influence consumer perceptions of corporate image. Guilt appeals of high intensity lower consumer positive perceptions about corporate image. In turn, corporate image positively impacts purchase intentions. Two alternative mechanisms, namely inferred motive and consumer-company identification, are relevant to explaining consumer perceptions of corporate image following exposure to CM campaigns evoking guilt. Consumers exposed to high intensity guilt appeals lower their positive perceptions of corporate image as they infer that guilt appeals are used for instrumental reasons (i.e. making profits), not as a genuine attempt to support social causes. Alternatively, high intensity guilt appeals lower positive perceptions about corporate image by means of decreasing customer identification with the company. In other words, consumers exposed to CM campaigns do not identify with the company's values conveyed through the campaign, leading to negative perceptions about the company.

## Key Contributions

The present study makes several theoretical contributions to research on CM and persuasion in advertising. Firstly, the

study, for the first time, provides empirical evidence on how guilt appeals function in CM advertising campaigns. It demonstrates that the effectiveness of guilt appeals depends on appeal intensity. Highly intense appeals have a detrimental effect on the company image, and can backfire. Secondly, the study contributes to persuasion literature by providing evidence that guilt appeals should not be measured as a dichotomy (existing versus absent appeal), rather the features of guilt appeal should be taken into consideration. The study demonstrates the relevance of guilt appeal *intensity* in CM advertising campaigns. Thirdly, the study is the first to establish the role of CCI and IM as mediators in the relationship between guilt appeal and corporate image. It introduces a novel perspective in persuasion and CM literature streams that considers CCI and IM as alternative and fundamental psychological mechanisms underlying consumer responses to guilt appeals in CM campaigns. Fourthly, the study ascertains the relevance of social identity and attribution theories as theoretical frameworks in explaining how consumers respond to guilt appeals evoked by CM advertising campaigns.

*References are available on request.*

# The Effect of Cause-Related Marketing from the Perspective of Consumer Comments Examined Using Text Mining

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**Keywords:** *cause-related marketing, text mining, consumer generated content, social media*

**Description:** *We examine the effectiveness of cause-related marketing programs by text-mining unstructured data of consumer comments responding to the posts with various causes.*

## EXTENDED ABSTRACT

### Research Question

Cause-related marketing originated from corporate social responsibility. Drumwright and Murphy (2001, p. 164) defined corporate societal marketing to “encompass marketing initiatives that have at least one noneconomic objective related to social welfare and use the resources of the company and/or one of its partners.” Bloom et al. (2006) suggested that companies have long been using societal marketing to differentiate their brands relative to competitors’ brands in consumers’ mind. Such practice has resulted in greater efficiency in other marketing channels, premium prices, increased market share, greater brand loyalty, and better image in the eyes of stakeholders (Bloom et al. 2006). However, spending on societal marketing initiatives is small compared to spending on conventional channels of mass marketing and other affinitive programs with sports and entertainment (Bloom et al. 2006). To generate greater efficiency in cause-related marketing programs to serve both the public and private sectors, this study intends to understand the following questions: (1) How to understand public sentiment and assessment of various charity organizations by businesses with enriched information from text mining; and (2) Why the public is more sentimentally in favor of certain causes, while other causes fail to ignite public passion, or endure public criticism?

### Method and Data

We collected consumers’ comments on various cause-marketing programs from Facebook. We used Python to

extract comments from the Facebook pages for cause-marketing programs such as Susan G. Komen, Product Red, Live Strong, the Avon Foundation, Purple Purse and Starbucks, for some initial study. We intend to perform analysis for more cause-related programs of various causes. Once we process the text file, we can do some text mining analysis. First we can generate frequency term vectors with frequency counts of all words in a text file. Then we cluster each sentence made of n-gram words in each document with K means. The steps of clustering in K-means is to first choose the number of clusters (k) to be formed. Then the algorithm randomly picks “k” number of centroids and calculates the distance of all comments from the centroids. Each comment is then assigned to its closest center. Then we calculate the mean of all comments in each cluster to get the new centroid. Repeat the steps until there are no changes in centroids from the previous iteration, as the clustering process is optimal (RapidMiner).

### Summary of Findings

The public appear to appreciate cause-related marketing programs that sincerely serve the public good. The world is full of social justice causes that businesses can address for the long-term interest of society, as corporations are a collection of people that have the moral responsibility and wealth necessary to instill social changes for a better world. People are actively engaged in conversations on social media to uncover misleading tactics and determine whether companies use cause marketing as a marketing gimmick rather than

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genuinely serving the cause. The public has a mistrust of charitable cause advocacy by companies when the company or celebrity who advocates the charity is not perceived to be ethical or sincere about the charitable cause.

Therefore, the public is skeptical when they perceive the causes to be exploited purely for profit, or when the companies spend too much to publicize the programs, or when the programs lack accountability and transparency, hurt their own cause with questionable ethical practices, or use celebrities who lack honesty or genuine compassion. In summary, hypocrisy appears to be the reason for public perception of failures in worthy causes advocated by corporations or celebrities.

### **Key Contributions**

Cause-related marketing has been used by companies to advocate a worthy cause and build favorable reputations for brand investment. Ptacke and Salazar (1997) believes that cause-related marketing can be used to solve social problems.

It is essential to understand public sentiment and assessment of various cause-related marketing programs to maximize their effectiveness. Rather than using traditional survey methods to gather information on consumers' evaluation of various charity causes, we examine the effectiveness of a charity organization by text-mining unstructured data of consumer comments responding to the posts for various causes sponsored by the organization. To do that, we extract key words reflecting the sentiment of each cluster through K-means clustering. By linking various causes to the assessment and response of the public, we will gather valuable information such as why the public are more sentimentally in favor of certain cause-related programs, while other cause-related programs fail to ignite public passion. With the proposed method, companies can make an informed decision on how to advocate such charity causes more effectively, and truly serve the public good as well as the long-term reputation of their brands, while advocating for a worthy cause.

*References are available on request.*

# Winning Customers' Hearts and Minds with Cause Marketing, but What About Their Wallets?

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*Neeraj Bharadwaj, The University of Tennessee*

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**Keywords:** *cause marketing, customer lifetime value, random forest regression, marketing strategy*

**Description:** *We assess the relationship between cause marketing and customer lifetime value by evaluating the purchasing behavior of customers over an 11-year period, and utilize random forest (a machine learning algorithm).*

## EXTENDED ABSTRACT

### Research Question

To what extent does cause marketing impact a customer's lifetime value?

### Method and Data

We introduce Random Forest Regression to the marketing literature, which is a machine learning algorithm that allows us to empirically assess the impact of cause marketing on a customer's lifetime value. Our data consist of a panel of 1,061 customers over an eleven-year period, which captures actual purchasing behavior as well as the presence of other marketing variables.

### Summary of Findings

We find that cause marketing (CM) does not increase customer lifetime value (CLV) for the majority of customers within our sample. However, a segment does respond positively, and the profitability of these customers is higher as a result of CM. Also, we evaluate the impact of CM and in-

store marketing variables at the aggregate (i.e., across all customers), and find that CM does have a larger impact on CLV than other marketing variables for some customers, but not others.

### Key Contributions

We contribute to the literature by answering calls to: (i) assess purchase behaviors in response to a firm's societal initiative in the marketplace longitudinally (Arora and Henderson 2007; Sen and Bhattacharya 2001); (ii) use individual-level customer profitability as a key objective outcome (Kumar 2015); (iii) take a finer-grained assessment of the customer portfolio to discern whether some customers are more responsive than others to marketing interventions (e.g., Reinartz, Thomas, and Kumar 2005; Zeithaml, Rust, and Lemon 2001); and (iv) broaden marketing strategy scholars' methodological horizons (Houston 2016; Moorman 2016).

*References are available on request.*

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# You Share, We Donate! An Exploratory Study on an Emerging Cause-Related Marketing Phenomenon

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**Keywords:** *cause-related marketing, social media, corporate social responsibility, consumer behavior*

**Description:** *With two lab experiments and an adjunct qualitative study, the paper investigates how consumers respond to “you share, we donate” cause-related marketing campaigns and provides practitioners with guidelines on how to set up effective “you share, we donate” campaigns.*

## EXTENDED ABSTRACT

Practitioners and academics alike recognize the relevance of cause-related marketing (Andrews et al. 2014). From a traditional point of view, cause-related marketing (CM) refers to a company’s practice to involve consumers in their charitable donation campaigns, usually by linking product sales with donations to charity (Varadajan and Menon 1988). With the rise of social media during the past decade, companies discovered an alternative way to involve consumers in their donation campaigns, which does not necessarily link donations to monetary exchanges. Rather, it encourages consumers to share the company’s message with promised contributions to a certain charitable cause. Such type of CM campaigns can be classified as “you share, we donate” campaigns. Unlike a traditional CM campaign, a “you share, we donate” campaign does not require a consumer to purchase a product from the company, thereby making consumers’ participation ostensibly easier. However, from a company perspective, it remains unclear whether this type of CM campaigns has the same effect on company or brand related outcomes as traditional sales related CM campaigns do.

### Research Questions

Against this backdrop, this research aims at providing a first investigation into the phenomenon of “you share, we donate” CM campaigns. The objectives of this research are fourfold: (1) to provide a concise definition of “you share, we donate”

marketing campaigns, and its distinction from sales related CM campaigns; (2) to provide a first determination whether “you share, we donate” campaigns provide similar benefits in terms of triggering customer participation and affecting consumers’ attitudes towards the brand; (3) to suggest an optimal format for setting up such campaigns; and (4) to provide exploratory insights on how and when this type of CM campaign affects consumers’ attitudes and behaviors.

### Method and Data

We conducted two lab experiments. Study 1 investigated the basic premise that a “you share, we donate” campaign format has a superior impact on consumers’ brand attitude and likelihood of sharing the message compared to a traditional CM campaign format on social media. The study was a one-factor (campaign format: “we donate” vs. “you share, we donate”) between-subjects study. A total of 118 participants ( $M_{\text{age}} = 35$ , 52% female) recruited from Amazon’s Mechanical Turk (MTurk) were randomly assigned to one of the two conditions. To get a deeper insight into participant’s sharing motivation, we included an open-ended question at the end of the study 1 and asked participants to indicate why they would (not) share the post.

Study 2 served the purpose to examine whether the donation object (money vs. product) moderates the effect of

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campaign format (i.e. “you share we donate” vs. “we donate”) on brand attitudes and message sharing intentions. The study was a 2 (campaign format: “we donate” vs. “you share, we donate”) by 2 (donation object: money vs. product) between-subjects design with a control condition. A total of 164 participants ( $M_{\text{age}} = 30$ , 51% female) from MTurk were recruited and randomly assigned to one of five conditions.

### **Summary of Findings**

Results indicate that “you share, we donate” messages elicit higher behavioral intentions as well as more positive brand perceptions from consumers than traditional “we donate” social media posts from companies. The effect of “you share, we donate” campaigns is enhanced when companies promise to donate products instead of money to the cause. Further, the results of the qualitative analysis provide a framework to further speculate on the actual mechanism that drives people to share such “you share, we donate” initiatives by companies as well relevant contingency factors.

### **Key Contributions**

Our study contributes to existing literature in a way, that it extends conventional cause-related marketing literature by exploring the phenomenon of “you share, we donate” campaigns, in which consumers are only required to share a company message on social media for the donation to happen. Without eliciting a monetary transaction from the customer, this type of campaigns creates a win-win situation for all parties involved: the message of the company is shared within the social media sphere which enhances the general awareness of and attention towards the company; customers can be part of a do good campaign and increase their own happiness with less effort than being involved in a purchase activity; and finally a charitable organization receives a donation from the company. Managerially, it addresses an important subject of considerable practical relevance and provides firms with guidelines on how to set up effective “you share, we donate” campaigns.

*References are available on request.*

# Effectiveness of Corporate Social Responsibility Communication: The Roles of Ethical Labels, Prior CSR Record, and Consumer Skepticism

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**Keywords:** *corporate social responsibility, communication, ethical labels, consumer skepticism*

**Description:** *This paper investigates the effects of ethical labels in a CSR advertisement on consumer evaluations of the advertisement and attitude toward the brand.*

## EXTENDED ABSTRACT

### Research Question

Consumers demand to know more about companies' CSR activities, yet at the same time, they tend to be skeptical toward companies' CSR claims. Finding ways to enhance the credibility of CSR communication is a question of critical importance. Against this backdrop, this research investigates whether and how the presence (vs. absence) of an ethical label in a CSR advertisement affects consumer evaluations of the ad and the brand, and their perceptions of greenwashing. We also investigate the roles of the company's prior CSR record and consumers' dispositional skepticism.

### Method and Data

We conducted two experiments to test our hypotheses. The first study employed a 2 (CSR record: positive vs. negative) x 3 (no label, company label, third-party label) x 2 (product category: cotton swab vs. chocolate) factorial between-subject design. 360 respondents participated in the study 1.

The second study employed a 2 (third-party label vs. no label) x 2 (skepticism: high vs. low) x 2 (product category: chocolate and paper towel) factorial between-subject experimental design. 154 respondents participated in study 2.

### Summary of Findings

Across the two studies, our results suggest that, when prior CSR record is negative, neither company ethical label nor third-party ethical label could reduce greenwashing perceptions. However, when prior CSR record is positive, both company ethical label and third-party label are equally effective in reducing greenwashing perceptions. Moreover, third-party labels play an important role in convincing highly skeptical consumers about the truthfulness and verifiability of the CSR claims, leading to more favorable responses toward the ad and the brand in the "ethical label present" condition. On the other hand, for less skeptical consumers, CSR advertisements with or without an ethical label are likely to have similar perceived ad credibility, and generate similar responses toward the ad and the brand.

### Key Contributions

This research contributes to extant CSR communication research in several ways. First, it advances current understanding on greenwashing. Prior greenwashing studies tend to view greenwashing as a voluntary act of a company, independent of consumers' perceptions of it. We highlight several determinant factors that influence consumer greenwashing perceptions and reactions to CSR advertisements. Second, given the wide-

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spread use of ethical labels, practitioners urgently need to understand the effects of ethical labels in CSR communication, a topic that has received scant attention. Our findings provide finer-grained results about the effectiveness of ethical

label, showing that a variety of label-, company-, and consumer-related factors influence the effects of ethical labels.

*References are available on request.*

# Do Companies Really Have to Emphasize the Triple Bottom Line? Analyzing the Effect of Competing Sustainable Market Orientations

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**Keywords:** *environmental sustainability, social sustainability, economic sustainability, sustainable market orientation, employee behavior, brand-consistent employee behavior, attitude towards the brand*

**Description:** *This study demonstrates customers' differential responses to a firm's sustainability market orientations (social, environmental, economic) and how these response are affected by (non-)consistent employee behavior.*

## EXTENDED ABSTRACT

### Research Questions

- Does a focus on all three sustainability market orientations (social, environmental, economic) lead to stronger behavioral intentions of customers than a focus on a single sustainability value?
- Which sustainability market orientation is prone to be supported by brand-consistent (BC) employee behavior and to be punished by non-brand-consistent (NBC) employee behavior?

### Method and Data

- Study 1: scenario based experiment with 231 participants on the effect of sustainable market orientations on the intention to buy/use.
- Study 2: scenario based experiment with 400 participants on the effect of employee behavior in different sustainable market orientations on the attitude towards the brand.

### Summary of Findings

Focusing only on environmental sustainability is beneficial compared to social or economic sustainability and as good as combining all sustainability market orientations at once for customers' intention to use products/services of the brand. The attitude towards a firm that emphasizes the environmental sustainable market orientation is more robust against NBC employee behavior.

### Key Contributions

This is the first study to compare single sustainable market orientations to expressing all three values simultaneously. Emphasizing environmental values is sufficient to achieve the same attitude and behavioral intentions as emphasizing all three sustainable market orientations at once. Environmental sustainability offers a positive and meaningful social identity to customers which NBC employee behavior can barely damage.

*References are available on request.*

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# Consumer Perceptions of Corporate Sustainability Intentions: Should Nonenvironmental Motives Be Acknowledged?

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*Jos Bartels, Tilburg University*

**Keywords:** *sustainability communication, consumer perceptions, corporate motives, corporate intentions*

**Description:** *The current study focused on the effects of communicating a combination of environmental and non-environmental motives for investing in sustainability initiatives on consumer perceptions of corporate intentions.*

## EXTENDED ABSTRACT

### Research Question

Corporate investments in environmental sustainability initiatives have become increasingly important in recent years (Carroll and Shabana, 2010; Eweje, 2011) and companies have started to modify their business operations by integrating environmental considerations in their activities (Banerjee, 2001; Bartels, et al., 2015). An important question raises how companies can communicate about their motives for investing in environmental sustainability initiatives. Whereas environmental motives are commonly communicated in advertising, it has been theorized that acknowledging a combination of both environmental and financial motives could reduce consumer skepticism (Du et al, 2010). Nevertheless, little is known about the effects of simultaneously acknowledging multiple motives on consumer perceptions of corporate intentions and the potential effects of acknowledging a legal motive for sustainability initiatives have largely been neglected (De Vries, et al., 2015). Companies tend to experience pressure to conform to legal and institutional standards, due to the more prominent role of environmental regulations on the political agenda (Escobar and Vredenburg, 2011; Nidumolu et al., 2009). Therefore the current research addresses how the acknowledgement of environmental motives *in combination with* financial and legal motives can affect consumer perceptions of corporate intentions.

### Method and Data

A convenience sampling method was administered to recruit 117 Dutch participants. Participants were randomly allo-

cated to conditions varying the communication of legal (present vs. absent) and financial (present vs. absent) corporate motives for sustainability initiatives. Participants were informed that the questionnaire was focused on consumers' opinions about corporate sustainability actions. After assessing dispositional skepticism, a description of a fictional international petrochemical company was presented. The company was said to invest in the development of innovative sustainable technologies to generate renewable energy in the future. The pricing and service of the company were described as being similar to competitors in the petrochemical industry. Participants were then asked to read a message about these sustainable initiatives that was allegedly displayed at the website of the company. This message contained the experimental manipulation of the communication of corporate motives. Following the message, the perceptions of intrinsic, strategic, and egoistic intentions were measured. All items were assessed on a Likert-type scale ranging from 1 (*strongly disagree*) to 7 (*strongly agree*). Finally, participants were debriefed and thanked for completing the questionnaire.

### Summary of the Findings

First the manipulation checks, showed that the manipulations of the corporate motives were successful. The effects of the acknowledgment of legal and financial motives on perceived intentions were investigated by performing 2 by 2 ANCOVAs, in which dispositional skepticism was included as a covariate. Participants were less likely to perceive

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intrinsic intentions when the company acknowledged its legal motives than when legal motives were not acknowledged. Furthermore, intrinsic intentions were perceived to be lower in the financial motives present condition than in the financial motives absent condition. No interaction effect between legal and financial motives was found. Dispositional skepticism had a significant negative impact on perceived intrinsic intentions. Participants in the financial motives present conditions perceived more strategic intentions than did participants in the financial motives absent motives. In addition, higher levels of dispositional skepticism were associated with more perceived strategic intentions. Legal motives had no main or interaction effect on perceived strategic intentions. Finally, the acknowledgment of financial motives resulted in higher perceptions of egoistic intentions than when no financial motives were acknowledged. Dispositional skepticism had a negative effect on perceived egoistic intentions. The main and interaction effects of the legal motives manipulation did not reach significance.

### **Key Contributions**

The key contributions of this research are threefold. First, whereas previous research has mainly focused on the conse-

quences of consumer perceptions of corporate intentions, the current research addressed whether the acknowledgment of various corporate motives in sustainability communication could function as an antecedent of the corporate intentions that consumers perceive. Second, the effects of acknowledging public- and firm-serving motives for sustainability initiatives have often been examined in isolation. The current research demonstrates that consumers are unlikely to perceive this relationship as reciprocal when a company states nonenvironmental motives for sustainability initiatives, which appears to divert consumers' attention away from the prosocial elements of a company's investment. Third, and perhaps most importantly, the current research is the first to test the effects of acknowledging that a company is investing in sustainability initiatives due to legal obligations in its corporate messages. The present findings suggest that nonenvironmental motives are not created equally, and that financial and legal corporate motives can promote different consumer perceptions. The acknowledgment of legal motives appears to raise less suspicion among consumers than does the acknowledgment of financial motives.

*References are available on request.*



# Can Hard Discounters Wash Away Their Sins? How Retailers' Low Price Image and Corporate Social Reputation Shape Customers' Price Fairness Judgments

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*Dirk Totzek, University of Passau*

**Keywords:** *price fairness, price image, corporate social responsibility, retailing, attribution theory*

**Description:** *This research examines the complex interplay of a retailer's low versus high price image and CSR reputation with customers' attributions of the retailer's pricing and CSR motives and their effects on customers' perceived price fairness.*

## EXTENDED ABSTRACT

### Research Question

Hard discounters such as Aldi and Lidl have reached high market shares in Western Europe and impressive growth rates in the U.S. One reason for the rise of hard discounters is their favorable low price image. However, hard discounters were involved in scandals, such as unfair treatment of employees, producers, and suppliers, and thus tend to suffer from a bad corporate social responsibility (CSR) reputation. As a result, hard discounters started to engage in CSR to increase their reputation as fair market actors. However, can hard discounters wash away their sins? Yet, the complex interplay of a retailer's low price image and CSR reputation is unexplored. In light of the strong theoretical and practical significance, we employ attribution theory to examine (1) the relationship between the retailers' low price image, CSR engagement and customers' perceived price fairness, (2) the underlying psychological mechanisms and customers' attributions of retailers' pricing and CSR motives, as well as (3) the mediating roles of customers' quality and trust inferences.

### Method and Data

We conducted two experimental studies with more than 1,000 graduate students. Study 1 investigates the effects of the retailer's low price image, CSR reputation, and customer attributions of the retailer's pricing and CSR motives on cus-

tomers' perceived price fairness in a cross-industry sample. We used a between-subjects scenario experiment and manipulated the retailer's pricing strategy (hard discounter vs. traditional retailer). We asked participants to evaluate an existing retailer from a set of 18 firms (nine hard discounters and nine traditional retailers). In Study 2, we used a 2 (hard discounter vs. traditional retailer)  $\times$  4 (CSR engagement: control vs. three treatment groups) between-subjects scenario experiment and asked participants to evaluate one of 12 major retail stores (six hard discounters and six traditional retailers). To test our moderating hypotheses, we employed a combination of structural equation modeling and regression analysis.

### Summary of Findings

The results generally show that both the retailer's low price image and CSR reputation enhance customers' price fairness and, in turn, their loyalty intentions. These effects are partially mediated by customers' quality and trust inferences. The retailer's low price image decreases and CSR reputation enhances both quality and trustworthiness which, in turn, positively affect price fairness. However, these direct and indirect effects depend on the customers' attributions regarding the retailer's motivation for CSR engagement, the retailer's CSR investments and pricing motive: Low price-image retailer's CSR engagement increases perceived price

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fairness particularly when customers attribute a low intrinsic CSR motivation and low CSR investments and a high self-interest of the retailer's pricing. In contrast, a high price-image retailer's CSR engagement is expected to be intrinsically motivated, a substantial financial investment, and the retailer's pricing should not be driven by self-interest.

### **Key Contributions**

Prior research on the determinants of price fairness has mostly focused on the effects of either the retailer's price image or CSR engagement. This study examines the complex interplay of both concepts by examining customer attributions of retailers' pricing and CSR motives. In particular, this study addresses the conceptual ambiguity in the retailer's price image–CSR–price fairness relationship by

showing that retailers' price image and social activities have mixed effects on price fairness depending on the specific inferences customers make. Prior research has somewhat misled retailers as numerous studies have established a variety of positive outcomes of CSR engagement. However, CSR is not a universal remedy to improve customer attitudes. In particular, hard discounters can—indeed—wash away their sins with CSR enhancing activities (i.e., a Top Employer certification, a Fairtrade label, and particular quality commitments). However, the effectiveness of these strategies critically depends on specific customer attributions: hard discounters can do “good,” but should not appear to be motivated by “good.”

*References are available on request.*

# Dominium Terrae: A Multilevel Analysis on the Relationship Between Religiousness and Environmental Concern

*Reto Felix, University of Texas Rio Grande Valley*

*Chris Hinsch, Grand Valley State University*

*Philipp Rauschnabel, University of Michigan–Dearborn*

**Keywords:** *environmental concern, religiousness, life satisfaction, indulgence, multilevel analysis*

**Description:** *Using multilevel analysis, this research investigates the moderating effects of life satisfaction and indulgence on the relationship between religiousness and environmental concern for a large scale sample from 57 countries.*

## EXTENDED ABSTRACT

### Research Question

The importance of religion for consumption and environmentally-friendly attitudes and behaviors has been shown in the extant marketing and management literature (e.g., Felix and Braunsberger 2016; Minton, Kahle, and Kim 2015; Pepper, Jackson, and Uzzell 2011). However, previous research on the relationship between religion and environmental concern remains fragmented, typically concentrates on one or very few national cultures, and frequently focuses on religious affiliation rather than religiousness (that is, the presence and/or strength of religious beliefs). Further, few studies have identified boundary conditions with respect to which individual or national-level variables might modify this relationship. Addressing these research gaps, the current study asks the following research questions: First, what is the relationship between religiousness and environmental concern on an aggregate level? Does White's (1967) thesis that the Christian religion is responsible for environmental degradation and overconsumption hold based on more recent empirical data aggregated across religions? And second, which individual and country-level boundary conditions moderate this relationship?

### Method and Data

Due to the nested structure of the data used in this study, we used multilevel analysis (Raudenbush and Bryk 2002) to test the cross-interactions of individual and country-level predic-

tor variables regarding the individual-level dependent variable (Garson 2013). Specifically, we used individual-level and country-level data from the sixth wave of the World Values Survey (WVS), a large-scale, continuous investigation that generated 74,042 individual-level datasets from 57 countries around the world. Further, these results were paired with country-level data for indulgence from Hofstede, Hofstede, and Minkov (2010). Gender, age, and income were included as individual-level control variables in the study, and GDP per capita (World Bank 2016) was included as a country-level control variable.

### Summary of Findings

The main effect model shows a statistically significant association between religiousness and environmental concern ( $\gamma = .105$ ,  $p < .001$ ) on an aggregated level. Thus, this study finds support for hypothesis 1 that religious persons are more concerned about the environment than nonreligious individuals. Model 2 shows (in support of hypothesis 2) a negative and statistically significant (unstandardized) moderating effect of life satisfaction on the relationship between religiousness and environmental concern ( $\gamma = -.031$ ,  $p < .001$ ). At low levels of satisfaction with life, nonreligious persons are significantly less concerned about the environment than religious individuals. However, at higher levels of satisfaction with life, this difference decreases with increasing levels of life satisfaction. For those persons who are

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highly satisfied with life, being religious does not make a difference as compared to being nonreligious when it comes to environmental concern. Finally, model 3 finds a cross-level interaction effect of indulgence on the religiousness–environmental concern relationship. As predicted by hypothesis 3, the (unstandardized) interaction effect was negative and statistically significant ( $\gamma = -.002$ ,  $p < .001$ ; note that the small absolute value of the unstandardized coefficient is due to the substantially different scale widths for the indulgence and the environmental concern measures).

### **Key Contributions**

This research contributes to marketing theory and practice in several ways. First, contrary to what lay intuition may suggest, the data from more than 47,000 respondents show that on average and across many different religions, religious people are actually slightly more concerned about the environment than nonreligious individuals. Thus, marketers and public policy makers interested in promoting environmentally-friendly practices such as recycling and the purchase of green

products may be able to discover religiousness and related values to be assets in the fight for proenvironmental change and sustainability. Second, our research suggests that life satisfaction suppresses the relationship between religiousness and environmental concern. It seems that for persons who are highly satisfied with life, this relationship is not significant. However, for individuals who are less satisfied with life, religion seems to become a positive guiding force for environmental concern. The theoretical implications of this finding are important because it suggests a change of perspective by modeling life satisfaction as a moderator (that is, an instrument or boundary condition) rather than a pure outcome variable as in previous research. Finally, the statistically significant cross-moderation effect of indulgence on the relationship between religiousness and environmental concern points to the importance of considering country-level cultural variables in nested data structures, and this adds to current theory on the amplifying effect of alignment of values.

*References are available on request.*

# S-D Logic and Value Cocreation: Scheme for Enhancing Educational Quality and Effectiveness

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*Mohammadali Zolfagharian, University of Texas Rio Grande Valley*

**Keywords:** *S-D logic, value cocreation, service quality, goal attainment, higher education*

## EXTENDED ABSTRACT

### Research Questions

How value cocreation behaviors contribute to the quality of services? And how these constructs, together, influence goal attainment?

### Method and Data

The context of the paper is higher education. Two studies were conducted to empirically test the proposed relationships. While a majority of the constructs are captured using student self-reported data, participation behavior is measured using self-report in Study 1 and objective data in Study 2. Similarly, goal attainment is operationalized as perceived learning in Study 1 and actual grades in Study 2. A review of higher education literature indicates that an overwhelming majority of studies suffice to self-report measures of learning and do not strive to incorporate actual grades (Broadbent and Poon, 2015). Very few studies (e.g., Klingsieck Fries, Horz, and Hofer, 2012) provide any justification for their sole reliance on self-report. However, self-reporting grades is open to the social desirability bias and contributes to common method bias and is thus less reliable and valid than actual grades (Kuncel, Credé, and Thomas 2005). We traced and used actual student grades ranging from A to D and F. So doing enabled us to reach a desirable combination of objective data and self-report data (which is the primary means of assessing the individual's subjective experience, thus suitable for such constructs as service quality and satisfaction), thereby minimizing method-related biases in this research (Ballou, Wang, Pazer, and Tayi 1998; Wang, 1998; Pipino, Lee, and Wang, 2002).

To measure value cocreation behavior, we adapted Yi and Gong's (2013) measurement scale that consists of participa-

tion behavior and citizenship behavior, each in turn comprising four first-order constructs. Service quality was measured using Brady and Cronin's (2001) scale. Goal attainment was represented by student grade in the aforementioned courses.

### Summary of Findings

Study 1 indicates that service quality is influenced by citizenship behavior, but not by participation behavior, which was measured using self-report measures. Specifically, whereas customers' voluntary behaviors that go far beyond role expectations enhance their evaluations of service interactions (i.e., functional quality) and outcomes (i.e., technical quality), behaviors that are required of customers for successful value cocreation do not influence perceptions functional and technical qualities. Moreover, citizenship behavior had a stronger effect on technical quality than on functional quality.

The remainder of the relationships were all corroborated, attesting to the plausibility of the proposed interplay among customer value cocreation, service quality, goal attainment (measured using perceived learning), satisfaction and retention. Interestingly, participation behavior had a stronger effect on satisfaction than on goal attainment; the opposite pattern emerged with respect to the effects of functional and technical qualities. Technical quality was the strongest predictor of both goal attainment and satisfaction. Finally, compare with goal attainment, satisfaction was a stronger predictor of retention.

Study 2 suggests that results can differ substantially when participation behavior and goal attainment are captured using objective (as opposed to self-report) measures. This

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conclusion is supported by the fact that the pattern of results pertaining to the other five constructs was identical across Studies 1 and 2.

### **Key Contributions**

The two empirical studies undertaken here provide general support for the salience of student cocreative role in higher education value networks. This is not surprising because the transformative capacity of higher education is and should be,

first and foremost, a function of the object of transformation, namely the student. By providing two sets of empirical evidence, our findings foreground the role of the students in generating favorable outcomes for themselves (i.e., quality, goal attainment, satisfaction), for institutions of higher education (i.e., retention), and for society at large (i.e., quality of education as transformative service).

*References are available on request.*



# Investing in Descendants: The Positive Impact of Legacy Motivation on Prosocial Behavior

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*Xingbo Li, University of Louisville*

**Keywords:** *legacy motivation, helping behavior, investing in descendants, perceived social distance with the recipient*

**Description:** *In the current research, we found that legacy motivation increases helping behaviors and explained when and why this effect occurs.*

## EXTENDED ABSTRACT

### Research Question

One's life is finite, but one can live continuously in the memory of future generations by leaving a legacy (i.e., legacy motivation). Legacy is defined as "an enduring meaning attached to one's identity and manifested in the impact that one has on others beyond the temporal constraints of the lifespan" (Fox et al., 2010). It is beneficial to leave a legacy, as the creation and transmission of legacy provides an important potential that one's identity will endure beyond death.

In the current research, we examine an important consequence of possessing a legacy motivation. We found that legacy motivation increases helping behaviors and explained when and why this effect occurs. Specifically, we argue that people may possess a "legacy account," where they deposit some good will and wish their descendants could cash out the good will. Importantly, maintaining such a legacy account enables people with a high legacy motivation to extend their identity into the future. We hypothesize that (a) people with a high (vs. low) legacy motivation are more willing to help others, (b) the effect occurs because people want their descendants to accrue rewards from their good will, and (c) the effect is not contingent on whether the target is perceived at a far or close distance.

### Method and Data

We examined the proposed effect of legacy motivation on helping behavior across three studies. In study 1, partici-

pants first responded to measures of legacy motivation (Zaval et al., 2015), and then indicated how willing they are to donate their time for victims in the earthquake in Nepal 2015. We found that people with high legacy motivation were more likely to donate ( $\beta = .30$ ,  $t(46) = 1.81$ ,  $p = .08$ ). Moreover, this effect still hold when self-construal ( $\beta = .21$ ,  $p > .17$ ) and the chronic death anxiety ( $\beta = -.08$ ,  $p > .61$ ) are controlled for.

In study 2, we tested our effect by manipulating legacy motivation and explored the underlying process. After completing the manipulation task (Zaval et al. 2015), participants read about children who live in remote areas do not have access to education. Then, participants indicated their willingness to donate reading materials for these children, as well as their willingness to invest in their descendants. People indicated higher willingness to donate reading materials in the legacy condition than control condition ( $M_{\text{legacy}} = 7.48$  vs.  $M_{\text{control}} = 6.40$ ;  $F(1, 89) = 4.54$ ,  $p = .036$ ). In addition, legacy motivation elicits greater need for investing in the descendants ( $M_{\text{legacy}} = 4.43$  vs.  $M_{\text{control}} = 3.88$ ;  $F(1, 89) = 3.30$ ,  $p = .07$ ), and importantly, mediated the effect of legacy motivation on donation ( $\beta = .11$ , 95% CI [.0057 to .3519]).

In study 3, we examined the role of perceived social distance with the recipient. Both legacy motivation and social distance with the recipients were measured (adapted from Win-

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terich et al., 2009). Regression analysis revealed a significant interaction of legacy motivation and perceived social distance of the recipients ( $\beta = -1.13$ ,  $p = .05$ ). Spotlight analysis revealed that people with weak legacy motivation were more likely to donate time when the recipients were close than far ( $M_{\text{close}} = 18.77$  vs.  $M_{\text{distant}} = 14.98$ ,  $\beta = 2.36$ ,  $p < .01$ ). Importantly, people with stronger legacy motivation are equally likely to help regardless ( $M_{\text{close}} = 19.61$  vs.  $M_{\text{distant}} = 18.75$ ,  $\beta = .39$ ,  $p = .58$ ).

## Summary of Findings

The current research examined an important consequence of possessing a legacy motivation. Results of three experiments revealed that legacy motivation leads to prosocial behaviors, and the effect is driven by the motivation to invest in descendants. Interestingly, we also documented that legacy motivation attenuates people's tendency to give priority in helping close others, leading to the equal willingness to help regardless of close or distant targets. This effect occurs because doing a good deed would help deposit the good will for the descendants, no matter the recipients are perceived at a far or close distance. The current research identifies a new motivational antecedent of prosocial behaviors.

## Key Contributions

First, to our best knowledge, this article is the first empirical research to test the consequence of legacy motivation in the context of prosocial behavior. We contribute to the legacy motivation by showing that legacy motivation promotes helping behaviors by the driver of investing in descendants.

Second, the current findings identify a new motivational antecedent of prosocial behaviors. Our research shows that a motivational factor of leaving a legacy can have a positive impact on donation. Importantly, we also found that inducement of a legacy motivation attenuates people's tendency to give priority in helping close others, leading to equal willingness to help regardless of close or distant recipients.

Finally, this article provides evidences for the motivation underlie people's creation and transmission of legacy. In the context of prosocial behavior, we document a "legacy account" and demonstrate a new motivation (i.e., investing in descendants) that drives people in leaving a positive legacy and behave prosocially.

*References are available on request.*

# Driving Green Lifestyle Adoption Through Social Media Communication

*Agnieszka Chwialkowska, University of West Georgia*

**Keywords:** *green lifestyle adoption, minority influence theory, social learning theory, social media, green marketing*

**Description:** *This paper analyzes how green lifestyle advocates influence newcomers to adopt green behaviors and establishes key factors of social media communication that allow the green minority to exert influence.*

## EXTENDED ABSTRACT

### Research Question

People adopting green, ecofriendly lifestyle choices in the areas of eating habits, health, body care, everyday consumer products and daily habits are still in the minority, with the majority of consumers being reluctant to use more sustainable product alternatives and having a negative attitude toward green products. Social media allows consumers to influence each other, and it empowers individuals to act as online socialization agents. Peer communication in this medium facilitates knowledge dissemination, and consequently leads to the adoption of new behaviors. Thus, the purpose of this paper is to analyze the process of driving the adoption of a green lifestyle through social media. The study integrates the minority influence theory and social learning theory to show the interplay of informative and normative influence in different stages of the behavior adoption process. The paper presents how green lifestyle advocates on social media platforms influence newcomers to adopt green behaviors. By doing so, it establishes the key factors of social media communication that allow the green minority to model the behavior, exert influence and encourage cognitive, affective and behavioral changes regarding green products. By studying peer interactions, the paper reveals the role of reinforcement for successful and long-term behavior adoption.

### Method and Data

To draw from real experiences of social media users, social media posts of green lifestyle advocates were examined. The research design follows a multiple case study approach. To maximize the utility from the small sample in the case study research, four social media pages were chosen based on their differences in terms of the main theme they represent, and

the size (popularity) of their Facebook pages. Social media content posted by green lifestyle advocates, and occurring peer interactions on those pages were analyzed. The data was captured and archived with NVivo11 NCapture. The analysis spanned a period of three years. The data set consists of over 8,000 Facebook posts from the pages of four green lifestyle advocates, and almost 140,000 comments under their posts representing peer interactions in response to those posts.

### Summary of Findings

This research explored how green lifestyle advocates present their minority views and influence a majority through their social media communication. The paper illustrates the process of minority influence and peer learning, and provides a comprehensive theoretical model anchored on two theories, namely minority influence and social learning. It presents how green lifestyle propagators exert the minority influence and shape behavioral changes of newcomers to the community, prompting them to make green lifestyle choices as they learn through modelling, reinforcement and social interactions on social media. The paper establishes key factors of social media communication driving green behaviors' adoption in the modelling phase: consistency, authenticity, stimulating systematic thinking, encouraging identification, and normalizing behavior. It shows that consumers not only passively acquire knowledge from green lifestyle advocates' content, but also adopt the propagated behaviors and they play an important role in spreading the message through peer communication and sharing the effects of adopting the specific lifestyle, thus providing both testimony and positive reinforcement to newcomers. The paper thus shows the important role of social media in rein-

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forcing of behavior after the initial behavior imitation, and the importance of community immersion for the successful and lasting adoption of green behaviors.

### **Key Contributions**

This paper integrates two seemingly rival theories into a cohesive theoretical model of the factors driving consumer adoption of a green lifestyle. It presents empirical evidence of the interplay of the informative influence of the minority idea advocate (emphasized by the minority influence theory) and the normative influence of the peer learning community (the focus of the social learning theory) in driving the behavioral change in the majority in the context of adopting green lifestyle choices. Thus, it extends minority influence theory by emphasizing the role of normative influence at the later

stages of the behavior adoption. The main takeaways for companies selling green products and policy makers promoting green lifestyle adoption are that the key to promoting green products and behaviors is not making solely environmental claims but emphasizing the individual benefits. Picturing the easiness of use, as well as, normalizing the consumption of green products is necessary for stimulating identification with the “green community.” Rather than appealing to emotions, exerting informative influence by informing about the benefits for the learner rather than the environment at large encourages the imitation and adoption from the minority role models both privately (compliance) and publically (conversion).

*References are available on request.*

# Costly Price Discounts and Costless Advertising Appeal for Consumer Purchases of Embarrassing Products: A Field Experiment

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**Keywords:** *embarrassing products, advertising, price discount, field experiment*

**Description:** *Based on large-scale randomized field experiments with over 10,000 real-world customers, this study evaluates the effects of marketing communications with costly economic lever (price discount), costless behavioral lever (advertising with romantic appeal) and their combinations on condom sales, along with the contingency factors.*

## EXTENDED ABSTRACT

### Research Question

What are the effects of advertising and price incentives on consumer purchase of embarrassing products? What is the relative effectiveness of costly economic levers (e.g., price discount) versus costless behavioral levers (e.g., framing of ad messages)? How are these effects moderated by consumer and environmental factors (e.g., gender and store crowding)?

### Method and Data

We conducted large-scale field experiments. Over 10,000 members of a major supermarket chain are randomized to receive price discounts, promotional ads, or their combinations for a leading condom brand, via text messages (SMS) on the consumers' mobile phones. To identify the incremental consumer purchase responses, our data also has a control group that included similar members but received no discounts or ads. We examine various outcome measures of managerial importance, including purchase likelihood, upselling, spillover to rival brands, and customers' total basket size.

### Summary of Findings

The field experiment data reveals several novel and interesting results. First, ad message framed with romantic appeal is as effective as low price discount in boosting consumer purchase. So, the costless behavioral framing can to some extent replace the costly price promotion. Also, adding costless framing augments the effectiveness of high price discount and thus helps recoup the additional expenses of the costly price cut. Second, we observe gender difference. Whereas ad message with romantic appeal is more effective for female customers, price discount has stronger impact for male customers. These findings highlight the importance of targeted advertising or precision marketing for embarrassing products. Untargeted advertising (i.e., sending the same ad message to all consumer segments) leads to suboptimal performance. For example, the firm could squander its profits by providing price discounts to female consumers for embarrassing products. Third, in contrast to the conventional marketing wisdom that a manufacturer should always try to place their products in stores with high traffic to maximize the sales of its products, the finding highlights the unique-

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ness of embarrassing products, i.e., a high-traffic store may be a curse rather than a blessing. Specifically, there is a decrease instead of increase in embarrassing purchases in crowded stores, where romantic appeal and price discount are largely ineffective in reversing the declining trend unless they target on the right gender. Finally, an examination of the total basket size indicates that, advertising with romantic appeal leads to a win-win situation for both the focal brand and the retailer (by increasing the total spending of customers' entire shopping basket), whereas price discount benefits the focal brand's revenue at the cost of the retailer carrying the brand. The findings suggest that the costly romantic appeal for promoting embarrassing products not only incurs minimal cost compared with price discount, but also lifts the sales performance of the focal brand and the retailer.

### Key Contributions

One primary contribution of this study is that we provide causal "hard" evidence based on large-scale field experiments about the effect of firm-initiated marketing communications in enhancing the real-world purchases and up-selling of embarrassing products. This extends the literature mainly with "soft" evidence based on laboratory studies and self-reported measures of consumer attitudes and intentions. Existing studies are based on either lab experiments with college students and participants on Mechanical Turk (Blair and Roese 2013; Dahl, Manchanda, and Argo 2001) or anonymous follow-up surveys completed in isolation (Moore et al. 2006). However, embarrassment is a highly social construct because it is rooted in one's concern about what others think about herself (Miller 1996). Hence, the salience of embarrassment varies with the presence of others in the surrounding. Consequently, one may expect different behaviors related to embarrassing purchase in private lab

setting versus in public natural setting in real world (cf., Fisher and Dubé 2005). In fact, industry reports showed that lab participants nowadays are largely not embarrassed about buying condoms due to the unrealistic purchase contexts (YouGov 2012). In this sense, our extension is nontrivial: it is necessary and important to leverage large-scale field experiments with real-world consumers to study this phenomenon of consumer purchases of embarrassing products.

Another contribution is that our study bridges behavioral and quantitative marketing literatures. Behavioral marketing researchers typically focus on explaining the underlying mechanism of interesting psychological phenomena. Yet, behavioral works often pay less attention to understanding the generalizability of the effects to the real-world settings, the size and economic importance of the effects, and the relative effects of various levers. As a comparison, quantitative works typically employ observational data from the field to measure how the effects of various marketing efforts differ and compare their economic impact. Insights from these studies may help managers decide which marketing lever to choose. However, quantitative researchers analyzing observational data face great challenges to rule out confounding effects and make causal inferences. Our research builds on psychology theories and complements behavioral research, by testing the causal influence of costly price discount vis-à-vis costless advertising appeal on the purchase of embarrassing products with large-scale field experiment data and comparing the relative effect size of different marketing levers that are relevant. Such insights can be directly applied by managers to choose the most effective and cost efficient marketing levers to boost sales performance and competitive advantages.

*References are available on request.*



# Linking Consumer Life Satisfaction to Brand Financial Value

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**Keywords:** *consumer value, life satisfaction, brand financial value, survey, consumer behavior*

## EXTENDED ABSTRACT

According to the latest results of Interbrand's annual Best Global Brands report (2015), the top ten brands alone are worth over \$700 billion. As of 2007 intangibles and particularly brands accounted for nearly 70% of the value of the S&P 500 (Gerzema and Lebar 2008). The value of marketing to firm performance is immense and undeniable, yielding an eternal quest to improve measurements of this impact (cf. Rust et al. 2004). But relatively little attention is paid to the other side of marketing's intended value exchange. What do the likes of Apple, Google, Coca-Cola, McDonald's, and Toyota do for customers in order to earn multibillion dollar brand valuations? It is clear that these brands connect with millions of people, but what value do they truly offer them? Concepts like satisfaction, trust (e.g., Olenski 2014) and happiness (e.g., Hsieh 2010) have been put up as the overarching purpose of brands for customers. While these feelings are certainly part of what a brand is worth to customers, they don't capture the full scope of what marketers offer to consumers. No happiness is to be had in searching Google for directions to a hospital where a family member is injured or sick, yet Google is clearly valuable to its users in that scenario. Similarly, while Coca-Cola may help customers "open happiness" in life's small moments, trusting Coca-Cola to deliver this consistently and safely cannot alone account for the third highest brand valuation in the world.

To address these shortcomings, we have developed and validated an instrument that comprehensively captured the human value of marketing—what marketing does for people that results in billion-dollar brands. In this report, we detail our measure and share the related data we have collected over the last five years, including observations from surveys with nearly 10,000 U.S. respondents relating to how market-

ing generally, and the marketing of 119 of the world's largest brands specifically, fits into people's lives. We hope that the data we provide will inspire researchers and practitioners to improve the understanding and practice of marketing for the dual purpose of bettering both people's lives and bottom line performance.

We approached the broad problem of understanding the human value of marketing from a fundamental perspective: Why do people engage with marketers in the first place? Understanding why people do something requires a motivational approach. Myriad theories of motivation exist in the psychology and marketing literature. While imperfect, the most widely known and referenced framework is Maslow's Hierarchy of Needs (Maslow 1943). In short, Maslow posited that human needs fell into five broad categories as follows: physiological needs, safety or protection needs, belongingness or social needs, esteem needs, and the need for self-actualization. He further posed people successively—or hierarchically—aim to satisfy these needs, first striving for physical sustenance, then safety and security, and so on; as each need category is satisfied, people move to the next level "up." Marketers, in turn, offer ways for people to satisfy these needs. People buy sustenance at the supermarket, esteem at the salon, and security through insurance. Given its relative simplicity, Maslow's Hierarchy of Needs provided a useful starting point for designing a measure of the extent to which marketers help people meet their human needs. However, a variety of research has shown that Maslow's Hierarchy, while a very parsimonious framework, is not sufficiently comprehensive in its coverage of human needs. We identified two broad gaps in coverage—for cognitive engagement (Csikszentmihalyi 2000) and pleasure

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(Lyubomirsky, Tkach, and DiMatteo 2006)—and added them to our framework as “experiential” needs and “happiness” needs.

We developed metrics that directly quantify consumers’ prioritization of these seven fundamental needs and their evaluation of how products and services fulfill those needs. That metric captures three dimensions of the puzzle: (1) How pressing are each of seven fundamental needs experienced by consumers? (2) How well are marketers generally doing at helping people meet these needs? (3) Which of the world’s biggest brands are helping people meet these needs? We have measured these three items across these seven fundamental needs since 2011, surveying nearly 10,000 U.S. consumers over that time. We use two combinations of these items to produce overall scores across these needs, similar to a multiattribute model. For each fundamental need, scores on items one and two are cross multiplied, then summed across needs to produce what we call the Consumer Value Index, which indicates the overall impact of marketing on needs satisfaction. Likewise, for each of about 100 brands, we cross multiply items one and three for each need, then sum across needs to produce what we call a V-Positive score for each brand, which indicates the degree to which brands are meeting the needs that are important to customers.

Over five years, we have observed consistent, reliable relationships between the Consumer Value Index (CVI) and individuals’ life satisfaction, and between V-Positive and brand financial value as indicated by Interbrand Best Global Brands (2015) and Millward Brown’s BrandZ (2016). This approach appears to bridge the well-being of brands with the well-being of the customers they serve. Longitudinally, the CVI has shown directional correspondence with measures like the Index of Consumer Sentiment (University of Michigan 2016) as well as with U.S. Census measurements of Advance Monthly Sales for Retail and Food Services (U.S. Census 2016), suggesting that relative increases or decreases in marketplace activity correspond to relative increases or decreases, respectively, in need fulfillment. We have also

observed coherent patterns across basic demographics, such as age and income. CVI increases as consumers first enter the marketplace as independent agents from 18–34, then decreases as they settle into a lifestyle, then increases again as needs, and the fulfillment thereof, change approaching old age. In terms of income, similar to other studies that find a ceiling effect of income on happiness, we find that CVI increases as income approaches about \$100,000 USD, then flattens.

The lifetime value of marketing to companies’ bottom lines is immense, with the top brands in the world valued in billions of U.S. dollars. In this research, we have taken one approach at understanding what it is that marketers do for people in order to earn those returns. We developed a framework with Maslow’s hierarchy of needs as a starting point, and added dimensions for experiential (i.e., cognitive) and happiness (i.e., affective) needs. Over the last five years, we have surveyed U.S. consumers to ask three critical questions: (1) How pressing are each of these needs? (2) How well are marketers doing at helping people meet these needs? (3) Which of the world’s biggest brands are helping people meet these needs? Over time, these measures have demonstrated consistent, reliable relationships with both U.S. citizens’ life satisfaction and with brand financial value, building a bridge between the well-being of companies and the well-being of the people companies serve. We have observed coherent patterns that demonstrate the robustness of the data—from changes over time that reflect the changing state of the U.S. economy, to changes in consumer value across stages in people’s lives. We don’t purport that this is the best or only way to measure marketing’s impact on people. For example, we strived for parsimony in our framework, but more complex and comprehensive motivational theories could easily be adapted for to address similar research questions. We hope that the work presented here will inspire others to do just that and more to advance the understanding and practice of better marketing for a better world.

*References are available on request.*

# Overcoming Consumer Skepticism

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**Keywords:** *skepticism towards advertising, two-sided messages, mystery advertising, transformational advertising*

**Description:** *The paper tests three advertising tactics aimed at overcoming consumer skepticism towards advertising.*

## EXTENDED ABSTRACT

### Research Question

With roughly \$180 billion spent on advertising in 2015 in U.S., it is critical to advertisers to cut through the clutter and capture consumer's attention. To this end, advertisers use a myriad of attention-getting tactics aimed at enticing the consumer's interest. Yet, advertisers have to face an increasing advertising skeptical consumer (Shah, Chen, and Chauhan, 2011). Despite its relevance for the study of the persuasion process, advertising skepticism has received scant attention in the marketing literature and very few studies have examined strategies to cope with high skepticism towards advertising (but see exceptions such as Forehand and Grier 2003; Xie and Kronrod 2012). The purpose of the present study is to partially fill this void by testing three tactics aimed at increasing persuasion of ads among highly skeptical consumers. We also test two processes—advertising credibility and attention to advertising—that are key in determining the effect of advertising skepticism on the evaluations of advertising.

### Method and Data

Three experiments were conducted to test the proposed hypotheses. One hundred and thirty-five undergraduates participated of Study 1, a 2-group (type of advertisement: one-sided vs. two-sided), between-subjects experimental design in which advertising skepticism was measured. Ninety-six clients of an electronic store participated of Study 2, a two-group (mystery ad vs. upfront ad), between-subjects, experiment in which advertising skepticism was measured. One hundred and twenty-five clients of an electronic bookstore participated of Study 3, a 2 (type of advertisement: transformational vs informational)  $\times$  2 (deliberation: present vs. absent), between-subjects experimental design in which advertising skepticism, the third independent variable, was measured.

### Summary of Findings

Study 1 shows that a two-sided message elicited higher purchase intentions among high skeptics than a one-sided message and the effect was driven by advertising credibility. On the other side, the purchase intentions of consumers low in advertising skepticism were not influenced by the type of message. Study 2 show that a mystery ad elicited higher purchase intentions among high skeptics than an upfront ad and the effect was driven by attention to advertisement. In contrast, the type of advertisement did not influence consumers low in advertising skepticism. The results of Study 3 demonstrate the elusive nature of consumer skepticism towards advertising. While Study 2 verified that the mystery ad elicited higher purchase intentions of highly skeptical consumers due to the higher amount of attention to the advertisement, Study 3 concluded exactly the opposite, that is, the transformational message elicited higher purchase intentions because highly skeptical consumers paid less attention to the advertisement. Further, when asked to deliberate about the advertisement, the influence of the transformational advertisement vanished. Consumers low in advertising skepticism were not influenced by the advertisement's tone of voice neither by the deliberation conditions.

### Key Contributions

The paper makes an important contribution to the consumer advertising skepticism literature by showing that two processes are key in determining the judgment of high skeptics—advertising credibility and attention to advertising. The study has important implications for advertisers by showing how different tactics can be implemented to overcome consumer skepticism. Understanding in which conditions skepticism influences behavioral intentions will enable marketers to anticipate and implement efficient advertising tactics to

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reduce skepticism and enhance persuasion. The paper also has important implications for consumers and society at large. Although advertising skepticism in general is beneficial, excessive skepticism can prevent consumers from taking advantage of genuine offers. By heightening their

knowledge of the tactics employed by marketers, consumers will be in better condition to judge the appropriateness of advertisement claims.

*References are available on request.*

# The Right to Persuade? Ethics of Gamification as a Marketing Tool

*Andrea Thorpe, Kedge Business School*

*Stephen Roper, Warwick Business School*

**Keywords:** *gamification, ethics, persuasion, stealth*

**Description:** *An examination of the ethics of gamification as a tool of persuasive marketing.*

## EXTENDED ABSTRACT

### Research Question

Gamification is used as a tool of engagement and persuasion, and often involves covert or stealthy means to “hook” participating audiences. In marketing, firms usually create gamified experiences with the aim of first engaging consumers to their brand or product, and then persuading them to buy.

This theoretical paper explores whether there are ethical problems with its use as a marketing technique. It further asks how the marketing profession could potentially develop guidelines to encourage more ethical practice.

### Summary of Findings

The ethical worth of gamification as an overall system is dependent on which ethical vantage point is taken. Utilitarian principles suggest that gamification’s value should be assessed on its consequences alone for a wide range of stakeholders. Increased sales, for instance, might justify covertly persuasive means. For consequentialists though, no extent of “good” outcomes can justify an experience that persuades through stealth. For virtue ethicists, it is left to each person involved in each individual system’s design and implementation to decide its moral worth. At a deeper level of analysis, the two phases of gamification in a marketing context—engagement and buying—reveal potentially more potent bases of ethical concern: Parallels to gaming addiction, for example. Again, these concerns vary depending on the ethical perspective adopted.

Our analysis informs our suggestions on how gamification could be monitored. Consequentialist and deontological perspectives, for instance, motivate a pan-industry regulative approach, favouring objective “rules.” By contrast, a virtue ethicist approach encourages more firm based assessment, where organizations could reflect upon a series of questions designed to help them assess the ethics of each intended designed system and its implementation.

### Key Contributions

Owing to the powerful underpinning mechanisms of gamification, research and practice to date has focused on the benefits accrued to firms that design and implement gamified systems as marketing tools. This article makes a contribution to understanding gamification in practice, and in particular, the ethics of the crux of “successful” design, i.e. that which stealthily persuades people to engage with the firm’s brand and to buy its product(s) through ethically questionable means.

Sequentially, the article also makes a contribution as a starting point for further debate amongst marketing practitioners and researchers on if, and how, such ethical concerns warrant the monitoring of gamification. The article outlines how such monitoring efforts could be implemented, but which fundamentally imply the need for further discussion within the marketing profession.

*References are available on request.*

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# To Sponsor or Not to Sponsor: Transgressions Are Not Equally Detrimental

*Joseph W. Chang, University of Massachusetts Dartmouth*

**Keywords:** *transgression severity, transgression relevance, athlete celebrity endorsers, endorsements, cue-diagnostics*

## EXTENDED ABSTRACT

### Research Questions

Extant research in endorsements has widely examined the impacts of scandals on consumers' attitudes toward tarnished endorsers and endorsed brands. Moreover, perceivers' characteristics, including attribution styles, celebrity identification, brand commitment, consumer skepticism, moral reasoning strategies and personal involvement, are proven to moderate the negative impacts of scandals on brand evaluations. However, less is known about the impacts of specific scandal characteristics on endorser and brand evaluations.

Research in brand crises has documented that the relevance and severity of negative brand attribute information (i.e., crisis relevance and severity) moderates brand evaluations. As with brand crises, the relevance and severity of transgressions are likely to moderate endorser and endorsed brand evaluations. Moreover, transgression types are verified to moderate consumers' moral reasoning strategies (i.e., moral coupling, decoupling and rationalization) and, thus, endorser and brand evaluations. However, the interplay between relevance and severity on endorser and brand evaluations were not examined. Therefore, to bridge the gap, this study investigates the influence of scandal characteristics, specifically in relevance and severity, on consumers' attitudes toward athlete endorsers and brands endorsed by tarnished athlete endorsers in question.

### Method and Data

Capitalized on the cue-diagnostics theory, we propose that, for high-severity transgressions, highly expertise-relevant transgression information instigates more negative impacts

than lowly expertise-relevant transgression information on the perceived expertise of athlete celebrity (H1), which in turns weakens the evaluations of athlete celebrity endorsers (H2) and then the endorsed brands (H3). To verify the hypotheses, three pretests and a main experimental study were conducted. The data was collected online via M-Turk with Qualtrics questionnaires. One hundred and eighty-one U.S. residents participated in the 2 (severity: high vs. low) x 2 (relevance: high vs. low) between-subject pretest and posttest experimental design. The test of hypotheses revealed that both hypotheses 1 and 3 were confirmed and hypothesis 2 was partially confirmed.

### Summary of Findings

The findings reveal that the impact of a transgression on brand evaluations was moderated mainly by transgression severity and partially by transgression relevance. The impact of transgression severity on brand evaluations was salient, regardless of transgression relevance. However, the impact of transgression relevance on brand evaluations was salient only when transgression severity was high. As a result, transgression severity was more dominating than transgression relevance on brand evaluations, while both factors were influential on brand evaluations. Moreover, severe transgressions erode athlete endorser evaluations directly and endorsed brand evaluations indirectly.

As transgression severity and relevance both moderate brand evaluations, the determination of sponsorship termination for a tarnished athlete celebrity endorser should carefully consider the severity and relevance of the transgression that the endorser involves. The determination for sponsorship termi-

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nation has to be deliberate as the impact of sponsorship termination on sponsors and consumers can be very radical and sophisticated. While transgressions are moral threats for brand and sponsor images, some less severe and/or relevant transgressions are less detrimental than expectation. The findings reveal that severe and relevant transgressions are most detrimental on brand evaluations, followed by severe, but irrelevant, transgression and relevant, but less severe, transgressions, and then irrelevant and less severe transgressions. As a result, the degrees of sponsorship termination to various transgressions should be hierarchically differentiated. It is plausible to terminate a tarnished endorser involved in severe and relevant transgressions. For severe, but irrelevant, transgressions, some tolerance with partial termination may be given, whereas high tolerance (i.e., warnings) without termination makes more sense for irrelevant and less severe transgressions. Given that, it appears that some sponsors were doing good jobs in handling their sponsorship continu-

ity (e.g., Nike for Tiger Woods), whereas some others not (e.g., Kellogg's for Michael Phelps).

### **Key Contributions**

This study contributes endorsement research by examining the joint effect of transgression relevance and severity on the three levels of expertise, endorser, and endorsed brand evaluations. The findings enhance both the cue-diagnostics and information relevance theories. Extant research in the influence of transgressions identifies that transgressions are detrimental to endorser and brand evaluations. However, the impacts of transgression relevance and severity are not differentiated. The research findings of this study suggest that the judgement about the erosions of transgressions on expertise, endorser, and brand evaluations depend on the interplay of severity and relevance.

*References are available on request.*

# The Rise of the Complex Brand: Brand Complexity's Impact on Product Liking and Consumers' Sense of Self

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*Carlos J. Torelli, University of Illinois at Urbana-Champaign*

**Keywords:** *branding, self-expansion, self-complexity, self-concept clarity, consumer-brand relationships*

**Description:** *Brand complexity—the extent to which a brand embodies multiple human traits and values—positively impacts brand liking and ultimately connections to the brand, driven by consumers' self-expansion.*

## EXTENDED ABSTRACT

### Research Question

Is brand complexity—the extent to which a brand embodies multiple traits and values—on the rise? If so, what is the impact of brand complexity on product liking and consumers' sense of self?

### Method and Data

We conducted four studies with participants recruited from Amazon's Mechanical Turk who took a survey in exchange for a small monetary payment. In study 1 we selected 2 brands from 3 categories which were similar in most domains (e.g., type of product, price level, country of origin, familiarity), but which differed in their level of success, using Brand Asset Value (as measured by Y&R) as a proxy. We measured brand complexity in two different ways and conducted a correlational analysis to assess whether there is a general trend toward complexity among successful brands.

Studies 2, 3, and 4 used an experimental design, manipulating the perceived complexity of three different familiar brands. Participants were randomly assigned to either a control or an experimental condition. We manipulated perceived brand complexity by presenting participants with a greater number of traits for the brand in question and/or traits from a greater number of brand personality/values domains. In study 2 we conducted a one-way ANOVA to investigate the impact on brand complexity on brand liking. In study 3 we replicated the results of the prior study and also measured

participants' self-expansion, which was used in a mediation analysis to support our prediction that self-expansion mediates the effect of brand complexity on brand liking. Finally, in study 4, we conducted a moderation analysis by measuring self-concept clarity, an individual difference which has been shown in the past to predict people's need or desire to self-expand.

### Summary of Findings

Brand complexity—the extent to which a brand embodies multiple human traits and values—seems to be on the rise. We argue that this is likely due to the pressure on marketers to differentiate their brands, especially in a time when most brands are pushed to create abstract meanings for their brands. In this research we propose and find evidence in four studies that brand complexity positively impacts brand liking and ultimately connections to the brand, and that this effect is driven by consumers' self-expansion. In study 1 we find evidence suggesting that there is indeed a trend toward complexity amongst successful brands, and we developed two measures to capture this construct. In study 2 we investigated the effect of brand complexity on brand liking in a more controlled environment, by manipulating the perceived complexity of a real brand. Studies 3 and 4 gathered evidence that the underlying process of this effect is self-expansion. Study 3 did so by directly measuring self-expansion, while study 4 identified a moderator, namely self-concept clarity, which has been found to predict the need to self expand.

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## **Key Contributions**

The main contribution of this research is to the branding literature, by identifying and providing a way to measure a new brand construct of concrete relevance to marketers. Keller (2001) described an evolution in branding as going from communicating functional to more abstract brand benefits. However, it seems like now that most marketers have the goal to create abstract meanings for their brands, we are at a new frontier, where brands need to find new ways to differentiate themselves to appeal to consumers, and becoming more complex seems to be one way to do so.

This research also contributes to the consumer wellbeing literature, by identifying one way in which brands help consumers fulfill a fundamental need, namely the need to self-expand. Based on the notion that consumers form relationships with brands in order to satisfy identity needs (e.g., Fournier 1998), we identify complex brands as being particularly helpful in aiding consumers to further expand their sense of self, given the multiple traits and values consumers can draw from when forming connections to these brands.

*References are available on request.*

# This Is Wholesome, or Is It? An Exploratory Examination of Perceptions of Diverse Families in Advertising

*Elise Johansen Harvey, University of South Carolina Upstate*

**Keywords:** *advertising, family portrayals, family diversity, advertising to children, parental attitudes*

**Description:** *The purpose of this study was to examine parental attitudes toward diverse family portrayals, such as same-sex parents, in advertising, and to gain insight into how families communicate about advertising's portrayals of diverse families.*

## EXTENDED ABSTRACT

### Research Question

Advertising's role in influencing perceptions, attitudes, and behaviors, especially those of children, makes it an important area to examine. As the world around us continues to evolve, we must ask how media, including advertising, should respond to such changes. An issue on the minds of many today surrounds the definition of family, as it continues to expand to include more diverse households such as same-sex parent families, interracial families, single parents, step families, and adoptive families. The controversial topic is up for debate in American politics and communities. While this paper does not seek to state a position on the issue, it does seek to ask key questions about how advertisers should respond and how advertisers' choices may affect consumers. In particular, we need to understand the impact of advertising moves on families themselves, specifically on children. As such, we examined the following research questions:

1. What are parents' attitudes toward family diversity in child-targeted advertising?
2. How do parents address family diversity in advertising and media with their child(ren)?
3. What characteristics of parents influence their attitudes toward family diversity in children's advertising?

### Method and Data

This study utilized a mixed methods design that incorporated qualitative depth interviews from 10 parents with

quantitative survey data from 135 parents. The data were collected in an exploratory sequential mixed design in which both detailed insights were gained as well as conclusions about parental attitudes toward family diversity in advertising. The interviews in Study 1 focused on defining family diversity and how families communicate about family diversity that they view in the media. Study 2 examined the relationships among family diversity characteristics, advertising portrayals, and parent characteristics by collecting survey data from a large sample of parents from both traditional and nontraditional families, all of whom had children between the ages of three and 14. Although 86% of the respondents were mothers, they represented a wide variety of demographic characteristics, family characteristics, and backgrounds.

### Summary of Findings

These studies shed light on an important topic in both marketing literature and society—the portrayal of family diversity in advertising. The study targets a specific population of parents because children are one of the groups most vulnerable to advertising influences. Understanding parental attitudes and behaviors as well as what drives them extends the literature in a meaningful way that has implications for academics and marketing practitioners. With controversial advertising featuring same-sex parented families being presented by major advertisers, parents are beginning to take note and take action to both utilize these events as educational moments and attempt to shield their children from what they see as inappropriate.

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## **Key Contributions**

Through depth interviews and survey data, we found that parents generally view family diversity, specifically same-sex parented families in advertising, positively. Some respondents indicated that their personal attitudes toward some types of diversity, specifically homosexuality, do not match how they think their child should be socialized. Cluster analysis of the survey data revealed that parents can be divided into five major groups based on their personal attitudes toward sexual orientation and their attitudes toward their children's exposure to same-sex parented fam-

ilies. These results have particularly interesting implications for advertisers, and provide some insight into how advertisers may be able to shift parental opinions of this controversial issue or utilize these clusters as segments of the market that will react to advertising changes regarding family portrayals in varying ways. Understanding these parental groups as market segments may provide advertisers with a way to communicate effectively with their target markets.

*References are available on request.*

# A Value-Based Model for Ethical Purchase Decision Making

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**Keywords:** *ethical consumption, consumer values, advertising trust, purchase decision involvement, consumer choices*

## EXTENDED ABSTRACT

### Research Question

Previous research examined how ethical product information should best be presented, often without considering the importance of consumers' susceptibility. This paper investigates consumers' susceptibility to ethical product information and how it influences their willingness to choose ethical products (WCEP).

Literature discusses three individual differences as predictors of ethical consumer choices, namely consumer values, trust in ethical advertising (TEA), and ethical purchase decision involvement (EPDI). Ethical purchasing can be ascribed to fundamental consumer values, which emphasize the importance of prosocial behaviour, i.e., consumers' altruistic and biospheric values (CABV) (Doorn and Verhoef, 2015; Groot and Steg, 2009). Consumer values do not only influence ethical consumer behavior directly, the relationship is often mediated (Steg et al., 2005). Hence, CABV may affect elements of the purchase decision process: Firstly, CABV are discussed to be related to consumers' ethical decision making process, and, consequently EPDI (Ojea and Loureiro, 2007; Vermeir and Verbeke, 2006). Secondly, CABV may increase TEA (Gleim et al., 2013; Osburg et al., 2016). Both, EPDI and TEA are expected to increase consumers' WCEP. Therefore, this paper analyses how an individual's preoccupation affects consumer choices of ethical products by developing and testing a value-based model for ethical purchase decision making.

### Method and Data

The derived hypotheses are summarized in a conceptual framework. Its assumptions were tested in an online survey

with 590 American citizens, members of a commercial online panel. Consumer values (Steg et al., 2005), purchase decision involvement (Mittal, 1989), and advertising trust (Soh et al., 2009) were measured with established scales. The scales' reliability (Cronbach's  $\alpha > 0.8$ ), and convergent and discriminant validity for the constructs (using Average Variance Extracted figures) were assessed and all found to be satisfactory. Further steps were undertaken to minimize the effect of common method variance. Consumers' willingness to choose ethical products was assessed with a choice-based conjoint analysis (CBCA), for which respondents were assigned to one out of two product categories.

### Summary of Findings

CABV positively affect EPDI, TEA, and WCEP. Additionally, TEA increases both, EPDI, and WCEP. Finally, EPDI positively affects WCEP. All hypotheses of the conceptual model are supported and the  $R^2$  values were above the minimum limit.

Hence, the results indicate that consumers with high altruistic and biospheric values have higher ethical purchase decision involvement, trust ethical advertising more, and are more likely to buy ethical products. Both, ethical purchase decision involvement and trust in ethical advertising positively affect consumers' willingness to choose ethical products. The results clearly indicate the relevance of a consumer's value orientation. To increase sales of ethical products in general, high purchase decision involvement should be achieved and trust in ethical advertising ensured.

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## Key Contributions

This study demonstrates that it is important to address individual characteristics of potential ethical consumers instead of focusing exclusively on the identification of the best ethical information presentation. Marketing must consider which consumers are open to read and process ethical product information, and the presentation of ethical information should be targeted to the preferences of these consumers. In the interest of tackling global social and environmental challenges, it is necessary to persuade all types of consumers towards ethical choices. Whilst some consumers are naturally inclined to make ethical consumption choices, others are not. Even so, those without such ethical inclinations may yet be persuaded to make ethical choices for other reasons, including personal benefit. Other approaches,

such as more emotional advertising or the reference to individual benefits (e.g., cost savings as a consequence of energy savings), might be suitable for this consumer group. The conceptual framework that we have empirically tested, helps understand the importance of considering consumers' underlying motivations, perceptions, and processing of ethical information, thus appreciating that not all consumers are convinced by the mere presentation of ethical information. Our study therefore has implications for policy-makers as well as practitioners in that a more holistic approach to marketing for ethical consumer choices is called for, which moves beyond an over-reliance on the presentation of ethical information.

*References are available on request.*

# How Does Consumer Mindfulness Curb Overconsumption?

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*Brintha Subramaniam, University of Arizona*

**Keywords:** *mindfulness, overconsumption, self-efficacy, spending self-control, buying impulsiveness*

**Description:** *This study investigates how mindfulness, a consumer trait variable, can decrease consumers' propensity to overspend and overbuy, thereby offering insights into a possible new avenue to reduce resource exploitation, waste, and other negative environmental impacts of overconsumption, and to increase individual consumer health and financial wellbeing.*

## EXTENDED ABSTRACT

### Research Question

Commonly made propositions in consumer behavior research are that there exists a generalized urge to (over-)buy in the consumer population which can lead to detrimental effects on the individual consumer and their family, society and the environment. The urge to buy may lead to overspending and overshopping, putting at risk consumer physical, mental and financial health. Overconsumption also poses resource strains on the natural environment as the production of goods requires renewable and nonrenewable natural resources. Since overconsumption is a main driver of climate change and the earth's natural carrying capacity is limited, curbing overconsumption is essential.

We argue that increased mindfulness—a mode of consciousness capability enhanced by actively attending to and being aware of present moment reality—may provide a mechanism to mitigate overconsumption. The research question guiding this study is how mindfulness affects excessive forms of consumption (overshopping and compulsive consumption) as well as purchase alternatives (consumption avoidance and sharing of goods). Furthermore, we investigate how consumers' self-efficacy, spending self-control, and buying impulsiveness mediate the relationship between mindfulness and behavioral outcomes. With that, we make significant contributions in addressing overconsumption as a major individual, societal and environmental threat, adding to better understanding of possible mental drivers of consumerism.

### Method and Data

An online survey design was chosen to examine our hypotheses. In sum, a sample of 965 American consumers participated in our survey distributed through Amazon MTurk. We used established scales for all study variables, namely mindfulness (LMS), self-efficacy (SE), Spending Self-Control (SSC), Buying Impulsiveness (BI), and Compulsive Buying (CB) and Overshopping (OS) as facets of excessive consumption, and Sharing of Products (SH) and Purchase Avoidance (PA) as forms of purchase alternatives. Data were analyzed using structural equation modeling on LISREL 8.80. A two-step model validation was employed to examine and refine the measurement model and to test the postulated structural model. Initial CFA resulted in a well-fitting model with all items loading significantly on their respective constructs. Model fit:  $\chi^2(df) = 4889.48 (1524)$ ; RMSEA = 0.053 (0.051–0.054),  $p = 0.0000$ ; GFI = 0.83; and CFI = 0.97. The standardized loadings were in the following ranges: LMS = 0.55–0.79, SSC = 0.54–0.84, SE = 0.76–0.88, BI = 0.64–0.91, PA = 0.58–0.79, SH = 0.62–0.85, CB = 0.53–0.81, and OS = 0.64–0.88. We tested our hypotheses in a structural equation model including SSC, SE and BI as mediators of the associations between LMS and all four outcome variables. The model indicated a good fit with all indices meeting the recommended levels:  $\chi^2(df) = 5258.26 (1684)$ ; RMSEA = 0.052 (0.051–0.054),  $p = 0.000$ ; GFI = 0.83; CFI = 0.97. Most of the hypothesized effects were significant.

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## Summary of Findings

Our findings support that mindfulness, measured as a consumer cognitive mode, positively affects purchase alternatives, and indirectly and negatively affects overconsumption. In particular, mindful consumers are more likely to avoid buying products and to consider if they really need them, or can share them with others. This supports the notion that mindful consumers consider alternative routes to fulfill consumption needs and do not necessarily rely on automated responses. Interestingly, there is no direct effect of mindfulness on compulsive consumption and overshopping. It appears as if additional factors need to be present to explain overconsumption behaviors. We found that spending self-control and buying impulsiveness serve as mediators of these relationships. Spending self-control has a positive link with purchase avoidance, and negative relationships with overshopping and compulsive consumption. Buying impulsiveness shows a notable negative link to mindfulness, and it also has the strongest links to overshopping and compulsive consumption.

In summary, results illustrate that trait mindfulness, while relevant in a consumption and decision-making context, does not exert strong direct influence on everyday consumptive activities, such as grocery shopping. However, more novel or infrequent activities such as sharing of products or

conscious decision against purchasing, seem to be more strongly affected by mindfulness.

## Key Contributions

Interest in the underpinnings and enhancement of mindfulness has been burgeoning in the literature in recent years, demonstrating positive effects of mindfulness on individual health and wellbeing. However, applications in the context of marketing and consumer behavior are still rare. Our study results indicate that mindfulness is a consumer characteristic that, in combination with certain personality variables, plays a significant role in reducing consumers' propensity to overspend and overbuy. Overconsumption is a behavioral manifestation of consumerism and directly associated with environmental decline as well as psychological and health issues such as acquisitive desire disorder. Increasingly, overconsumption is viewed as a social pathology which generates social, economic, and psychological problems for consumers because of their "addiction" to acquiring or possessing material goods. In addressing these important issues, our research offers insights into a possible new avenue in reducing resource exploitation and waste as well as other negative environmental impacts of consumption, while also increasing individual consumer health and financial wellbeing.

*References are available on request.*

# The Price of Delegating Decisions: Effects on Individual Responsibility and Future Decisions

*Veselina Milanova, University of St. Gallen*

*Peter Maas, University of St. Gallen*

**Keywords:** *decision delegation, consumer protection, consumer responsibility, financial decision making, decision regret*

**Description:** *This empirical study delivers insights about the societal implications of current public policies in the field of insurance and prompts policy makers to (1) rethink the importance of personal responsibility in case of delegating insurance decisions and (2) initiate a discussion about raising consumers' awareness for their personal responsibility.*

## EXTENDED ABSTRACT

### Research Question

Consumers do not always make decisions by themselves, but often let a third party or a surrogate make a choice for them. Decision delegation is very common in the insurance industry; as complex products, insurance policies often require an advisor to explain offers. However, consumers are often not aware of the conflicts of interest, particularly the ones related to remuneration, under which their advisors operate. These conflicts are inherent to many intermediary business models. Particularly the resulting consumer protection issues challenge current public policy discussions. Discussed policies increase the level of protection and at the same time facilitate decision delegation by pursuing three main goals: (1) quality of consultation; (2) obligation to a fiduciary level duty of care; and (3) transparency of remuneration. While these policies may positively impact the goodness of consumer decisions, they ignore the downside of delegation in the specific context of insurance. The responsibility for a (delegated) decision still remains with consumers and they are the ones to carry at least the initial consequences of bad decisions. Up to now, none of the policies has considered it necessary to raise consumers' awareness of that matter. The question arises whether consumers are still aware of being responsible for their insurance situation even in case of delegation.

### Method and Data

We apply a convergent mixed methods research design. The first data collection phase was an online study to better

understand how consumers make insurance decisions. 525 participants were recruited as a sample of the Swiss population. The study design entails a car insurance scenario with the option to delegate an insurance decision to an advisor or to decide alone which car insurance policy to take out. We chose car insurance since it is a realistic situation for participants to take out such a policy either online or through an intermediary. We first assessed the difference in delegation decisions between the groups with and without raised price awareness as justification with an independent t-test. Then we applied a 2 (delegate: yes/no) x 2 (justification: yes/no) between-subjects design with self-blame and bad outcome regret as dependent variables.

The second phase comprises of 78 interviews with Swiss insurance customers. The interviews were semistructured, focusing on customers' experiences with insurance intermediaries. A life insurance scenario, similar to the one from the experiment, was presented to all participants to explore whether informants will blame someone for a bad outcome situation.

### Summary of Findings

Consumers who delegate decisions to an advisor report to feel less regret in general (referring to both self-blame and bad outcome) than consumers who take the decision by themselves. The interview analysis shows that informants who delegate are able to find numerous explanations why

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the situation turned out bad for them. The life insurance scenario directly states that the market has not developed as expected and thus implies external causation. Interestingly, delegators first consider blaming their advisor and then think about possible other causes. The scenario does not specify who expects the market to develop in a certain way; the interpretation of all delegators is that the advisor is the one expecting a certain development. The post-hoc discriminant analysis confirms that it is self-blame that primarily sets delegators apart from nondelegators. The result supports the notion that delegators not only delegate the insurance decision itself but as well the responsibility that is attached to the act of deciding.

Raised price awareness alone has a nonsignificant impact on regret. Both self-blame and bad outcome regret reach more extreme values in comparison with the control group. In case of delegation, regret is rather low and for nondelegation, it reaches a peak.

### **Key Contributions**

Currently discussed changes of intermediary regulations worldwide can benefit from this research in different ways. First, it provides some initial evidence of the impact of intermediaries on consumers' perceived decision responsibility. While professional financial advice usually leads to better

consumer decisions, conflicts of interest coupled with low decisional responsibility of consumers cannot lead to effective insurance decisions. Completely waiving individual responsibility may not be a desired goal for legislations; up to now, depending on the provided level of protection, public policies rely on at least some portion of individual responsibility from consumer side.

Second, the results suggest that the disclosure of price differences in the sense of distribution channel costs (eventually the less cost-intensive online channel versus insurance advisors) can lead to a shift in channel usage. The Directive on markets in financial instruments (European Union) discusses disclosure as one form of managing a conflict of interest. Since there is an ongoing discussion in how far the directive can also apply for insurance markets, we deliver initial proofs that such a disclosure may not achieve its original goal.

Third, the finding that delegation impairs individual responsibility has specific implications for financial literacy education. Measures to foster awareness for individual responsibility can be readily incorporated in financial education programs and additional decision aids.

*References are available on request.*

# Green Marketing Orientation: Scale Development and Validation

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*George J. Avlonitis, Athens University of Economics and Business*

**Keywords:** *green marketing orientation, green marketing, sustainability, scale development*

**Description:** *The purpose of this paper is to further the interest that has appeared the last years around green marketing, by providing a foundation for the systematic development of a theory about green marketing orientation and empirically testing that theory, operationalizing in this way the green marketing orientation concept.*

## EXTENDED ABSTRACT

### Research Question

As green marketing becomes an essential tool for a sustainable business strategy, companies begin to adopt green marketing practices in order to achieve better business performance. However, no research effort has been devoted to operationalizing all organizational prerequisites that are necessary in order to become a green marketing oriented company. The present paper aims to capture the holistic approach of a green marketing strategy by rigorously developing a reliable and valid scale of green marketing orientation for effectively measuring its degree in an organization.

### Method and Data

The study is conducted in two stages. The first stage refers to theory development. For this purpose, it has been thoroughly reviewed the pertinent literature in the field of environmental/green marketing which reveals significant insights of the construct. Then, a qualitative research with the method of in-depth interviews provided novel insights into the meanings and causes of green marketing orientation and supplemented the received view from the literature. In the end, taking into account the views expressed in the literature and based on a thorough analysis of the qualitative research, the theoretical clarification of “green marketing orientation” became possible. The second stage of the study pertains to the empirical validation of the proposed theory of “Green Marketing Orientation.” First, following all adequate scale development procedures according to bibliography and conducting multiple studies, a reliable and valid measure was developed. Finally, a large quantitative research confirmed the reliability and validity of the new green market-

ing orientation scale developed and empirically tested its antecedents and consequences.

### Summary of Findings

The outcome of this paper is a robust conceptualization of green marketing orientation, a valid operationalization of the notion, an empirical investigation of its antecedents and consequences, and a strong empirical evidence of its important role in the operation and performance of an organization. Following the literature in measurement theory, this investigation reports a series of 4 studies resulting to the development of scale to capture the holistic approach of green marketing. The present research conceptualizes the construct of green marketing orientation, which comprises three dimensions: strategic green marketing orientation, tactical green marketing orientation and internal green marketing orientation. The scale is multidimensional, and it exhibits internal consistency reliability, construct validity and nomological validity. Based on the aforementioned findings of our research, the purpose of the study is hopefully accomplished, by furthering the interest that has appeared the last years around green marketing, providing a foundation for the systematic development of a theory of green marketing orientation, empirically testing that theory and contributing to recent important studies in the field.

### Key Contributions

Green marketing orientation refers to a holistic organizational approach towards the development and the implementation of successful green marketing strategies. Since this research constitutes the first effort to (a) conceptualize and

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operationalize the wide meaning of green marketing orientation, and (b) construct a comprehensive and empirically tested framework of this notion, its contribution is hopefully significant for both business firms and the marketing discipline. For business community, our research helps firms to consider a way to integrate natural environment in their business philosophy and strategy. In general, our effort provides managers with a comprehensive view of what a green marketing orientation is and how it can be attained. In addition, taking into account that a green marketing orientation may not be easily engendered, it could be considered as an

additional and distinct form of competitive advantage. For academia, our research contribution is a developed theory of green marketing orientation, along with a reliable and valid scale in order to measure the level of this orientation in an organization. We also believe that there are offered exciting opportunities for researchers to undertake research work in such a novel concept in order to further validate the proposed theory and confirm the importance of a green marketing orientation for an organization's success.

*References are available on request.*

# The Influencers of Time Perspective, Personality, and Cognitive Age on Sustainability Behaviors for Older Americans

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**Keywords:** *sustainability, elderly, time perspective, personality, cognitive age*

## EXTENDED ABSTRACT

This study examines a national sample of American seniors to determine if cognitive age, time perspective, and personality variables impact their sustainable behaviors.

### Research Question

This study examines, with five hypotheses, if cognitive age, time perspective (past, present, and/or future oriented), and personality variables (extroversion, conscientiousness, and openness) have a significant effect on American seniors' sustainable behaviors.

### Method and Data

A Qualtrics panel of 520 American seniors over 50 years old were surveyed online with established scales for cognitive age, temporal focus, the Big 5 personality scale, and ecologically conscious consumption behavior (ECCB).

### Summary of Findings

There was no link between cognitive age and sustainable behaviors and no interaction effect between cognitive age and time perspective. There was a significant positive direct effect for American seniors with a present or future time perspective exhibiting more sustainable behaviors. There was a significant positive effect between the personality variable

of openness and sustainable behaviors and a significant negative effect between the personality variable of conscientiousness and sustainability behaviors. In terms of the interaction between personality and time perspective, there was a positive significant interaction effect between a present time orientation and conscientiousness and between a future time orientation and extroversion.

### Key Contributions

One key contribution of this study is that it establishes a boundary condition for cognitive age in not impacting sustainability behaviors. For American seniors, it is time perspective rather than age that impacts their sustainability behaviors. Additionally, personality plays a key role in positively impacting seniors' sustainability behaviors both in terms of a direct effect for those seniors with more of an openness trait as well as interacting with time perspective for those who are conscientious and focused on the present or those who are extroverted and focused on the future. The results provide guidance for marketers and policy makers in trying to target and increase sustainability efforts on the part of seniors.

*References are available on request.*

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# The Health Care Ecosystem: Practices in Patient-Centered Care

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*Rahul Govind, University of New South Wales*

**Keywords:** *service ecosystem, well-being, health care, practices, patient-centered care*

**Description:** *This qualitative study uses the context of healthcare, identifying a promising approach to exploring and measuring well-being in a complex health care ecosystem.*

## EXTENDED ABSTRACT

### Research Question

What is the nature of well-being in a service ecosystem?  
What are the components of ecosystem well-being and how do these contribute to ecosystem health?

### Method and Data

This study first undertakes a detailed literature review of the meaning of patient-centered care across diverse disciplines within the health care sector. Following this review, we explore patient-centered care practices within the ecosystem of a large hospital. We adopt a phenomenological approach, following established conventions (e.g., Holt 1995). Our interpretive analysis draws on 52 depth interviews as well as 24 hours of naturalistic observations of the practices of key actors in the hospital ecosystem. Interpretive analysis of the data was undertaken through an iterative hermeneutical approach, going back and forth between the data and the literature to achieve a coherent and consistent pattern in the evidence (Adkins and Ozanne 2005).

### Summary of Findings

Drawing on a detailed literature review we identify six perspectives of patient-centered care. Using the context of a

major hospital we identify the prevalence of five of these forms of patient-centered care. We identify one form of patient-centered care—a holistic approach—which involves engaging with a wide range of ecosystem actors and offers the greatest potential for contributing to well-being. We identify nine important sets of practices that relate to of patient-centered care and illustrate how these practices can support or hinder ecosystem well-being.

### Key Contributions

Our work contributes theoretically and practically in three important ways: (1) providing a deeper understanding of the nature of well-being in a service ecosystem; (2) identifying different approaches to patient-centered care and their respective practices, based on the perspectives of key actors in the ecosystem; and (3) identifying those practices that enhance or hinder the well-being of a health care ecosystem.

*References are available on request.*

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# One Size Does Not Fit All: A Typology of Financial Consumer Vulnerability

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*Florian Schreiber, University of St. Gallen*

**Keywords:** *consumer typology, consumer vulnerability, financial regulation, consumer policy*

**Description:** *This paper explores four individual characteristics of financial consumers that drive their decision-making processes regarding insurance purchases in order to construct a typology of consumer vulnerability.*

## EXTENDED ABSTRACT

### Research Question

In today's fast-moving global economy, the financial services industry attracts approximately 150 million new customers each year, all of them greatly diverse in terms of their financial literacy and transaction experience. This became particularly apparent in the financial crisis of 2007–2009, which relentlessly uncovered the imbalance of information and power between providers and consumers to the disadvantage of the latter. Since an appropriate consumer protection has been largely neglected until then, the crisis' negative effects have been further amplified. In order to attenuate the consequences of such possible future events, proposed regulatory instruments are under strict observation of institutions, federal councils, companies, and academic scholars who vividly discuss their strengths and weaknesses with respect to increased consumer protection.

A crucial factor for establishing consumer protection and, hence ensuring efficient as well as transparent financial markets is to gain a better understanding of consumers' financial literacy, abilities, and preferences, while acknowledging the heterogeneity among them. To shed light on these aspects, this paper explores individual characteristics of financial consumers that drive their decision-making processes regarding insurance purchases.

### Method and Data

Two studies aim at revealing the pattern of individual characteristics relating to financial decision making. Study 1 is exploratory in nature and adopts a consumer perspective on vulnerability and protection in the context of insurance. We conducted seven focus groups across Switzerland with the

aim to examine consumers' perceptions of their vulnerability and possible ways to overcome it. Within these moderated frameworks, participants vividly discussed how they decide to take out insurance policies, what concerns they have, as well as how they search for and evaluate insurance-related information.

Study 2 consists of a comprehensive online survey on insurance decisions among 1,027 consumers in Switzerland. The sample is population-representative with respect to age, gender, and education. Moreover, respondents are representatively distributed across three cultural and linguistic regions of Switzerland, i.e., the German-, French-, and Italian-speaking part. We draw on established scales from the academic literature to measure the latent constructs financial literacy, information behavior, balance of responsibility, and consumer involvement. We resort to a multistep consensus cluster analysis to recognize and analyze potential patterns in the survey responses. After the clustering was completed, we carried out a post-hoc descriptive discriminant analysis based on our final classifications in order to examine which constructs contribute most to group separation.

### Summary of Findings

The paper reveals the important drivers behind consumer vulnerability and need for protection in the context of insurance based on financial literacy, information behavior, balance of responsibility, and consumer involvement. Our results provide evidence that three consumer types within the Swiss population can be distinguished: autonomous (53%), socially-informed (29.5%), and delegators (17.5%).

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An important prerequisite for high-quality consensus clustering results is a satisfying degree of diversity among the individual ensemble partitions. A common way to determine diversity is the so-called adjusted Rand index (ARI) that captures the correspondence between two classifications. With the average ARI amounting to .105, a high ensemble diversity of .895 is obtained. This result is a clear indication that the true unknown structure underlying our survey data has been found. Given the reproducibility figure of 87.9%, our analysis provides clear evidence for the three-cluster solution.

### **Key Contributions**

The contribution of our work is at least fourfold. First, we expand the literature on insurance regulation by highlighting the perspective of consumers, which is almost a blind spot in consumer protection research. Second, unlike previous

work, the study resorts to an empirical ground to provide an in-depth contextual examination of consumers at risk. In this regard, we conducted seven focus groups and a comprehensive online survey among 1,027 insurance customers in Switzerland. Based on the answers obtained, we then draw on consensus clustering analysis to construct a consumer typology based on individual characteristics impacting vulnerability. Third, the proposed typology accounts for differences between consumers without targeting specific groups regarded as vulnerable. That is, our analysis covers the whole continuum from high to low risk exposure in order to provide a holistic understanding of what places consumers at risk. Finally, our findings uncover the patterns of how individuals take insurance decisions and how these patterns influence the magnitude of risks they are exposed to.

*References are available on request.*

# Arguing for Policy Change: Vision-Impaired Consumers' Antifirm Reaction to Accessibility-Related Service Failures in the Online Marketplace

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*Rolph E. Anderson, Drexel University*

**Keywords:** *online accessibility, disabled, avoidance, Americans with Disabilities Act, complaining*

## EXTENDED ABSTRACT

### Research Question

This research focuses on how the inaccessibility of a retailer's website creates antifirm behavior such as avoidance, negative word of mouth (NWOM), and the possibility of third party complaining for blind and vision-impaired consumers. The breadth of this problem is highlighted by rating the National Retail Association's top one-hundred U.S. retailers according to their conformance to globally accepted standards for website accessibility. By illuminating the scope of the problem, as well as the antifirm reaction to inaccessible retailers from an underserved population, this research posits that changes in current legislation will reduce consumer vulnerability and antimultifirm behavior for this market segment thereby creating loyal customers and a more equal online marketplace for all who wish to participate. Although the online channel provides convenience and liberation for most consumers, this channel is especially convenient for people with all kinds of disabilities whose ability to travel and navigate the physical shopping environment is greatly diminished as a result of their physical or cognitive impairments.

### Method and Data

In order to test the accessibility of the websites, we employed the WCAG 2.0 standards, which consider different levels of achievement related to three levels of importance of the errors: A, AA, and AAA. To determine the percentage of inaccessible content for all the retail websites, we

first tested the number of pages with errors out of the total number of pages available. We then tested the number of priority A and AA errors on the home page, the transaction page, and finally on a random selection of the first 20 pages with accessibility problems. For the purpose of accessibility assessment we employed the *Sortsite* and *WAVE* software tools, which provide an evaluation of a single page, group of pages, or the entire website following the WCAG 2.0 accessibility conformance standards. Additionally, we ran a survey targeting a visually impaired population in order to test our hypotheses. Following an electronic snowball sampling technique, the survey was distributed through the local chapters of the National Federation of the Blind and Foundation Fighting Blindness, and finally through the LinkedIn profile of Assistive Technology Professionals.

### Summary of Findings

This study shows that most of those sites tested are barely accessible due to the number of errors, especially type A errors. The problem is even more important attending to the number of errors that are seen for the transaction pages, according to data obtained by both the *Sortsite* and *WAVE* tools.

Our findings suggest that: (1) service failure leads to avoidance behaviors and negative word-of-mouth; (2) accessibility-related service failures in the online market will not lead to third-party complaining; (3) accessibility-related service

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failures may lead to antifirm behaviors such as avoidance, and negative word of mouth, and the effect is moderated by consumer feelings (likelihood) about whether complaining to the retailer will resolve the problem; (4) we found a positive but not large correlation between the likelihood of a consumers complaining directly to the retailer and the feeling about whether the complaint will resolve the problem; and (5) the effect of accessibility service failures on avoidance is moderated by effort.

### **Key Contributions**

This research shows that online accessibility is a widespread problem creating dissatisfaction and consumer vulnerability for millions of consumers leading to antifirm behaviors, which the firm will not learn about due to a lack of direct and third party complaining. A change to the current legislation, including adoption of a consistent set of accessibility guidelines, must be addressed to ensure an equally accessible online marketplace for all who wish to participate.

By elucidating a problem affecting an expanding market of more than thirty million U.S. consumers, this research suggests a potential competitive opportunity exists for multichannel sellers to better serve these oftentimes underserved consumers. Changes to government legislation, specifically amending the ADA to include websites as part of Title III, will not be on the congressional docket any time soon. There have been over 240 lawsuits regarding online accessibility, but the majority of these settle outside of court for nominal amounts thereby creating no legal precedent. The continuing pursuit of these nuisance lawsuits will not have an impact as long as settlement agreements can be made for a lower cost than retrofitting an existing website. An amendment to the ADA would have a much broader effect on accessible design and inclusive practice; in the meantime our preliminary findings show that there is a currently unrecognized economic motive for retailers who create a more inclusive online marketplace by addressing the existing accessibility problems ahead of legislative change.

*References are available on request.*

# The Role of Mind- and Heart-Based Nonprofit Associations: The Development and Validation for Enhancement of Nonprofit Donation

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**Keywords:** *branding, nonprofit, scale, marketing, donation, mind, heart*

## Introduction

Consumer knowledge has been well documented within the decision-making literature (Alba and Chattopadhyay 1985). Yet, within the nonprofit domain, little research has examined either the types of marketing activity that influence consumer knowledge or the distinct aspects of consumer knowledge that are most influential in terms of donation. What types of nonprofit marketing activity influence knowledge or associations in regards to the nonprofit? What are the distinct aspects of these associations that are most likely to be stimulated and subsequently influence donation? This may be important because consumers represent knowledge in associative networks; once a concept is activated other related concepts are activated as well (Anderson and Bower 1974). Further, research in this domain suggests that certain types of associations are tied to money and time. For example, Liu and Aaker found (2008) that while time leads to an emotional mindset, activating thoughts of money leads to a value maximization mindset. Visiting the brand knowledge literature, we discover that consumers can vary in the types of knowledge they may hold in regards to an organization. Keller (1993) defined brand knowledge as the distinguishing characteristics: uniqueness, favorability, associations in the regards to the organization and subsequently (Keller 2003) suggested that within brand knowledge there lie multiple dimensions. However, to date the literature is sparse in regards to how any of the dimensions influence donation.

Donating to an organization can be both emotional and risky because a donor may never realize the fruits of their sacrifice. Because of this, attempting to understand how the emotional and mental aspects and associations in regards to an organi-

zation influence donation becomes important. Therefore this article contributes to the growing research on donation by adapting, assessing and validating two constructs, mind- and heart-based associations that act as mechanisms in the relationship between marketing activity and donation. Additionally, we expect and show that while heart-based association have a stronger influence on donations of time, mind-based associations have greater impact on donations of money.

The remainder of the paper is structured as follows. First, a theoretical background is presented, followed by hypotheses development. Next, data collection, analysis and results are discussed, and finally, conclusions, limitation and future research is presented.

## Conceptual Background

How can mind and heart associations ease giving to nonprofits? Brand knowledge is comprised of perceptions and associations related to the brand (Keller 1993). Associations that come to mind, when thinking of a nonprofit will influence donation. Previous literature has shown that when a consumer is considering giving their time or money to an organization, what they recall or remember is important (Nedungadi 1990). Knowledge or associations that are held in regards to a nonprofit reduce perceptions of risk (Chen and He 2003) and facilitate understanding (Dixon 1997; Sargeant 1999). Therefore by activating various associations in regards to the nonprofit, donation will be positively influenced. Knowledge about an organization, product or person is represented by associative networks. When a concept in the network is activated, associated concepts activated as well (Anderson and Bower 1973). Concepts and associated

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concepts create mindsets and mindsets lead to subsequent behavior (Van Boven and Gilovich 2003; Liu and Aaker 2008). As previously stated, concepts such as utility and the self are associated with money (Lowenstein et al. 2003; Liu and Aaker 2008). Conversely, sociability and happiness are closely related to time (Van Boven and Gilovich, 2003).

## Hypotheses Development

### ***Mind- and Heart-Based Associations***

Drawing on research in brand knowledge to aid in defining mind- and heart-based associations, the present research subsequently defines heart-based associations as the emotional aspects, feeling or reactions towards the nonprofit. Conversely, mind-based associations are defined as the mental aspects, distinctions or imagery in regards to the nonprofit.

The present research asserts that within the brand knowledge concept lie two distinct constructs, one that is more factual or mental and another that is more emotional or reactional. As stated previously, concepts or associations that are more factual, utilitarian or mental, are more like related to money as opposed to time. Conversely, associations that arise as a result of emotions or reactions, lead one to construe social thoughts, which are strongly related to time. As such, although we believe that both mind- and heart-based associations will lead to increases in donations of time and money, it is expected the strength of these effects will vary across constructs. As such, for the present research, it is expected that when mind-based associations are activated, increases in

monetary donations will ensue. On the other hand, when heart-based associations are activated, it is expected that respondents will be more likely to volunteer their time.

*H1a: Mind-based associations will influence donations of (a) time and (b) money.*

*H1b: Mind-based associations will have a greater influence on donations of money.*

*H2a: Heart-based associations will influence donations of (a) time and (b) money.*

*H2b: Heart-based associations will have a greater influence on donations of money.*

## Scale Development

The distinguishing characteristics, such as uniqueness, favorability and associations are what comprise brand knowledge (Keller 1993). Knowledge a donor holds will influence what comes to mind when they think about a non-profit (Alba et al. 1991). This has been well documented in the brand knowledge literature; therefore, this literature provides the appropriate starting place for the developing and measuring mind- and heart-based associations.

### ***Item Generation***

The first step in developing these two constructs was item generation; as stated previously, the brand knowledge litera-

**Table 1.** Nonprofits Used in Studies 1–4

Nonprofits	Studies
March of Dimes	<i>Study 1</i>
Sierra Club	.
American Cancer Society	.
Save the Whales	.
Literacy Council of America	.
Public Broadcasting Services	<i>Study 1–4</i>
American Red Cross	<i>Study 2–4</i>
United Way	.
Susan G Komen	.
St. Jude's Children's Research	.
Wounded Warrior	.

ture provides an appropriate starting point for the development of these two constructs. Therefore, we began by carefully considering and scouring the brand knowledge literature. After careful examination, an initial set of 41 items was constructed. These 41 items are well established in the brand knowledge literature by many authors and as such, offer the potential for inclusion into the two constructs under development.

### **Construct Development and Assessment**

The initial set of items were modified to fit the nonprofit literature. Previous authors have suggested that when researching nonprofits, the nonprofits should be well known and recognizable (Webb et al. 2000). Recognition of nonprofits was established by pretesting six nonprofits chosen from nonprofit.org (2014) and these were pretested with PhD students to further confirm utmost recognition. From this a list of 11 different nonprofits was used throughout the various stages of scale development (See appendix for complete list). With the initial set of items, the first goal was to establishing factor structure. In study one, utilizing Amazon Mechanical Turk, respondents were presented with a list of six nonprofits, respondents selected nonprofits they were familiar with and proceeded to respond to the initial list of 41 items on each nonprofit they had selected. Further, after each section, they had the opportunity, via an open-ended question, to offer further suggestions for items to include in future studies. Study one consisted of 258 aggregate responses. After carefully reviewing respondents' comments, two experts

decided that no new items were necessary moving forward. This initial study yielded six factors all with alphas greater than .7. Items not included in the factors were removed, leaving a reduced set of 33 items.

Following procedures from study 1, in study 2, utilizing Amazon Mechanical Turk, participants responded to the new set of 33 items, this study also included perceived risk, impact, reputation, and donation intent. This study yielded 570 aggregate responses. These responses were split into two random samples: sample one used to reestablish factor structure and the second half of the sample was used for confirmatory factor analysis. Items that had factor loadings less than .5 in either sample were removed. Following these procedures, 17 items remained.

In study three, utilizing Amazon Mechanical Turk and following procedures from the preceding studies, respondents were surveyed on 17 items. From these 17 items the mind-based and heart-based constructs emerged. A confirmatory factor analysis was performed and items not loading with at least a .5 were removed. Based on model parameters these 17 items were reduced to nine.

For study four, following similar procedures from previous studies, respondents from Amazon Mechanical Turk completed a short survey on these nine items. From this survey, four items emerged to establish mind-based associations with an overall alpha of .798 and four items emerged for heart-based associations with an overall alpha of .963. Further, the

**Table 2.** Items and Loadings

<b>Heart Items-alpha = .963</b>	<b>Loadings</b>
I have strong feelings about the nonprofit.	.94
The nonprofit makes a strong impression on my senses.	.91
The nonprofit induced strong feelings.	.90
I have strong emotions for the nonprofit.	.97
<b>Mind Items-alpha = .848</b>	<b>Loadings</b>
I have sufficient information on the nonprofit to get a clear image of what the company is.	.84
I could easily explain the features of the nonprofit.	.93
I know the benefits that the nonprofit provides to society.	.55
Specific characteristics of the nonprofit come to mind quickly.	.76

**Table 3.** Study 4 Convergent and Discriminant Validity

Correlations Squared	Heart	Mind	DIT	DIM
Heart	0.87			
Mind	0.27	0.58		
DIT	0.22	0.24	0.99	
DIM	0.29	0.48	0.61	0.97

measurement model of these items was sufficient with a chi-square of 155.997, RMSEA of .079 and CFI of .969. Utilizing Fornell and Larcker (1981) convergent and discriminant validity were established. To establish convergent validity it is necessary that the average variance extracted of the items be greater than .5. To establish divergent validity it is necessary that the squared multiple correlations of each construct be less than the average variance extracted of the construct. All parameters were met and these items were then utilized to primary data collection as mind-based and heart-based constructs.

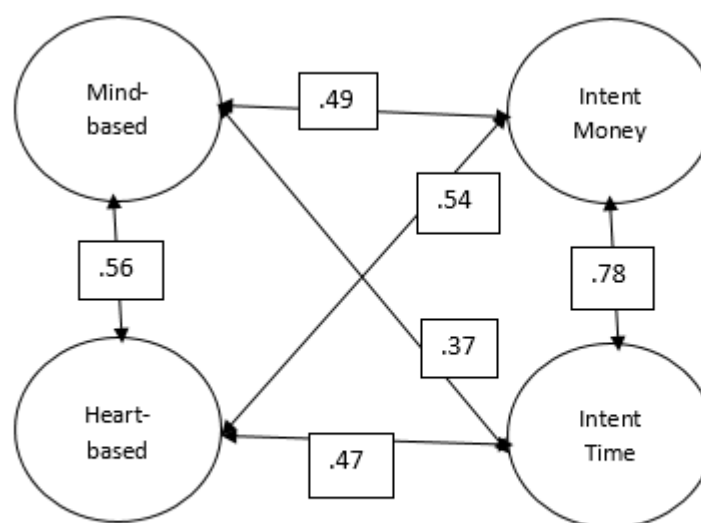
### Structural Equation Model

In order to test the hypothesized model, structural equation modeling was utilized. The fit of the model was sufficient with a  $\chi^2 = 227.256$ ,  $df = 97$ ,  $NFI = .923$ ,  $CFI = .949$  and a

RMSEA = .083. Mind-based associations had a significant influence on intent to donate money ( $\beta = .34$ ,  $p < .001$ ) and a partially significant impact on intent to donate time ( $\beta = .17$ ,  $p < .1$ ). Thus, hypotheses 1a and 1b are supported heart-based associations had a significant impact on both intent to donate money ( $\beta = .34$ ,  $p < .001$ ) and intent to donate time ( $\beta = .38$ ,  $p < .001$ ). As such, we find support for hypotheses 2a and 2b.

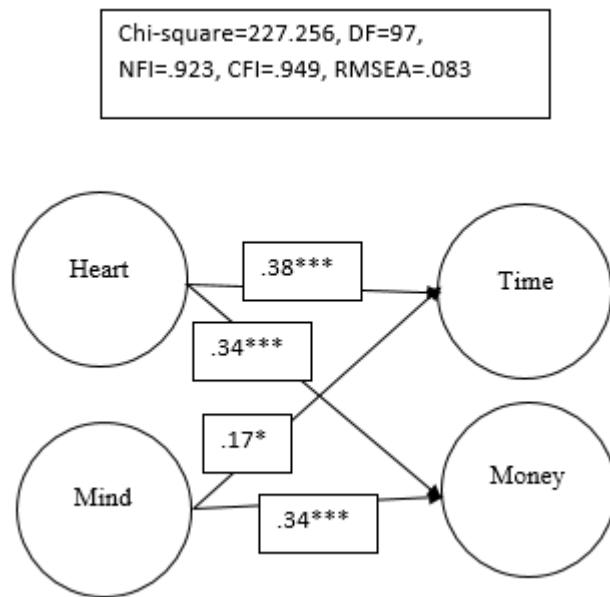
### Conclusion and Discussion

The branding domain has shown that when certain concepts or associations are activated, marketers can enhance desired outcomes. The current research asserts that in the nonprofit domain, by activating mind- and heart-based associations towards the nonprofit brand, giving outcomes can be positively influenced. This research contributes to the existing literature by revealing the importance of distinguishing between mind-based and heart-based associations for nonprofits. The knowledge and associations a donor or potential donor holds in regards to a nonprofit is influential on donations of time and money. The results of this research reveal that both mind-based and heart-based brand associations impact donation. Additionally, the evidence presented here suggests that while mind has a stronger influence on money, heart has a slightly stronger influence on time. An important note to point out is that both time mind and heart appear to influence money equally, while heart has a much stronger influence on time. For nonprofits, this implies that appeals to

**Figure 1.** Study 4 Measurement Model

Chi-square= 162.231; DF=71; RMSEA= .070; RFI= .928; CFI= .984; N=312

**Figure 2.** Study 4 Structural Mode



associations that are heart-based may yield the greatest impact in either type of donation.

### Limitations and Future Research

There are several limitations to this research. First, subjects were not independent, as each subject evaluated more than one nonprofit. Next, there current research does not examine antecedents to these mind-based and heart-based associations. Future research should not only examine antecedents to these constructs, but investigate boundary conditions where the impact of each these may be differentially influenced. Finally, because there exists much previous research in the brand knowledge literature in regards to many components of knowledge, we accepted that construct validity existed with no need for testing. However, as we extend this research, we recognize the importance of fully assessing this aspect of validity moving forward.

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# Group Licenses: Why Moral Consumers Do Not Always Run with Their (Moral) Herd

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**Keywords:** *moral licensing, social proof, group influences, prosocial behavior, moral self-perception*

**Description:** *The present research explores underlying mechanisms that are responsible for the positive or negative implications of peer behavior observations, leading to either moral consistency or inconsistent behavior (moral licensing) of individuals.*

## EXTENDED ABSTRACT

### Research Question

Previous research in social psychology indicated that social norms can guide individual behavior. Previous studies reported ambiguous results, indicating that individuals in some cases either adhere to the communicated group norms or deviate from the group behavior. On the one hand, social norms exert a strong impact on prosocial and proenvironmental behavior. On the other hand, some studies revealed contradicting effects. Individuals deviate from group norms or no changes in behavior were observed. This raises the question of when favorable peer group attitudes or behaviors backfire (and when not). However, previous frameworks fail to explain the conditions under which individuals act similarly to their in-group (i.e. moral consistency) and when group observations lead to inconsistent behavior (i.e. moral licensing). To fill this gap, we unravel the underlying mechanisms that are responsible for the positive or negative implications of peer behavior observations, depending on the consumer's moral self-perception. We expect that highly moral consumers take advantage of a moral license that the own group provides by engaging in proenvironmental actions, whereas consumers with lower moral standards tend to rely on their in-group. Finally, we demonstrate how the notion of group licensing effects helps to resolve seemingly contradicting findings in prior research.

### Method and Data

We conducted two experiments to empirically test the above stated premises. In our first experiment, 596 participants

from a business faculty volunteered for course credits. We conducted a priming experiment in which we manipulated the behaviors of the in-group and measured the participants' willingness to donate for a widely-known nongovernmental organization that is engaged in conservation and environmental projects around the world (World Wide Fund for Nature, WWF). We applied ANOVAs and mediation analyses to test our hypotheses. In a second experiment with 232 participants, we demonstrated how the notion of group licensing effects helps to resolve seemingly contradicting findings in prior research. Applying a scenario technique we examined how participants react on messages to encourage them to reuse their towels for the sake of environment.

### Summary of Findings

This research has demonstrated how our peer licensing framework helps to resolve seeming contradictions in the literature. While previous research demonstrates that messages with a reference to proenvironmental behaviors of others have a positive effect on the consumer's willingness to engage in such actions, other examinations find no effect. As we have demonstrated, these mechanisms obviously do not occur unconditionally. It is imperative to account for the motivation of consumers. For less strongly motivated consumers, positive messages about the reference group and their prosocial actions are likely to serve as a license to refrain from such behaviors. This finding is particularly intriguing because the less concerned may be the primary

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target of prosocial nudges, such as the sign in a towel rack hanger shape. Even more importantly, a positive group-related reference can have a negative effect on consumer behavior, depending on the consumer's judgment goal when making the decision (e.g., protecting the environment, staying healthy).

### **Key Contributions**

The study makes at least two contributions to the literature on moral licensing: First, we investigate interactions of group observations with individual proenvironmental self-

perceptions. More specifically, we investigate group-related conditions, which determine whether individuals engage in moral compensation or moral consistency. Second, we identify underlying processes leading to consistency or deviation from group norms. Remarkably, a message indicating positive behaviors of their peers can even have unexpected negative implications for a certain segment, which would explain the conflicting observations in the literature.

*References are available on request.*

# Let's Pin It Down: The Role of Displayed Donations in Corporate Philanthropy

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**Keywords:** *displayed donation, social value, trigger effect, cause marketing*

## EXTENDED ABSTRACT

### Research Question

Displayed donations refer to paper icons with donors' names which are pinned up on the walls of a retail store (so-called pinups). Whereas many retail stores have gained significant fundraising success through the use of displayed donation, this cause marketing tactic has got scant research attention. The present paper aims to show the powerful impact of displayed donations on consumers' intentions to support social causes. More importantly, it examines the mechanisms through which displayed donations influence the decisions of potential donors. In order to do so, we endeavored to answer the following three questions:

1. Do displayed donations (vs. regular donation) increase consumers' intention to donate?
2. If yes, under what conditions does this effect occur?
3. What are the benefits that consumer can get from engaging in displayed donations campaigns, besides helping the social cause?

### Method and Data

We created two versions of scenarios and ad campaign flyers for a fictitious store that was running a charity donation drive for Oral Health America. In the pinup version, participants were asked to donate to the cause by purchasing a paper heart that would be displayed in the store for the duration of the campaign and feature the donor's name on it. In the regular donation scenario participants were asked to simply donate \$1 to the cause. One hundred eight participants from Qualtrics online panel completed this study in exchange for

monetary compensation (56 females). Each participant was randomly assigned to read one of the scenarios and the corresponding flyer. Participants were told they would be evaluating CSR (corporate social responsibility) ad campaigns to help retailers and charitable organizations better advertise and promote their fundraising efforts. After each participant viewed one of the scenarios with a corresponding campaign flyers, they rated their intention to donate, levels of social value, trigger effect (i.e., the perceived influence over the donations of others), and cause familiarity. Finally, the participants were asked to report their demographic information.

We first conducted an analysis of variance (ANOVA) with social value as the dependent variable and displayed donation, age (i.e., young adults, middle age, senior) and their interaction term as independent variables. We then ran a linear regression with trigger as a dependent variable and pinup, mean-centered cause familiarity and their interaction term as independent variables. To explore the mediating role of social value and trigger effect we used moderated mediation analysis (Preacher, Rucker, and Hayes, 2007).

### Summary of Findings

Our ANOVA results show that displayed donation generates greater social value and the effect is stronger for younger segments. The findings from our regression analysis suggest that while both pinup and cause familiarity were significant predictors of trigger, their interaction was also significant. Followup spotlight analyses with high cause familiarity and low cause familiarity showed that when cause familiarity was high, displayed donations did not impact trigger effect in a statistically significant way. On the other hand, when

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cause familiarity was low, pinup was a highly significant predictor of trigger effect.

Our moderated mediation analysis shows that social value mediates the relationship between pinup and intention to donate only for young adults age group. However, social value did not mediate the relationship for middle age and senior. Similarly, trigger effect mediated the relationship between pinup and intention to donate when familiarity was low and when cause familiarity was at mean.

### **Key Contributions**

This paper contributes to the literature in several notable ways. First, this study extends the descriptive norm theory

(Cialdini et al. 1990) and proposes the trigger effect as a new concept that can help deeper understand consumers' donation behavior. We hope that the idea of encouraging consumer donations through trigger effect will pave the way for future empirical studies. Second, this study not only established the mediating role of trigger effect in displayed donation–intention to donate relationship, but also identifies cause familiarity as a moderator, which sets boundary condition for the mediation effect. Third, consistent with previous literature (e.g., Griskevicius et al. 2010), we find that displayed donations boost consumer's social value, which, in turn, promotes donation intention.

*References are available on request.*

# Top Dog vs. Underdog Positioning: Which Is More Effective for Charitable Contributions?

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**Keywords:** *charity, contributions, underdog*

## EXTENDED ABSTRACT

The purpose of this research is to better understand donor behavior by examining the relative effectiveness of two competing positioning strategies. Specifically, we explore how the perception of a charity as a top dog or an underdog impacts beliefs about the charity, attitudes toward it, and intention to donate to it. In the marketing area, top dog and underdog have received little investigation.

The top dog concept is prevalent in the business literature. An example of a cause and its charities being seen as a top dog is the overwhelming support for breast cancer charities. Yet, being top dog can cause problems. Arumi et al. (2005) state that highly polished direct mail campaigns cause charities to be viewed as profit-oriented businesses, no different than General Motors. As such, people resent when charities spend their dollars to sell to them.

The term underdog has been defined numerous ways including not being well known and lacking financial backing to not being able to succeed (Vandello, Goldschmeid, and Richards, 2007). In marketing, Paharia et al. (2009) describe being underdog as a firm's attempt to portray itself as coming from humble beginnings and succeeding despite the odds that are a result of having fewer resources. Vandello and colleagues demonstrated that people compensate underdogs' disadvantage by offering sympathy and support.

To test competing theories, research questions (RQs) were formulated.

RQ1: Is percentage of goal attainment a good surrogate indicator of whether the charity is perceived as a top dog or underdog?

RQ2: How does top/underdog perception impact beliefs about the charity, attitude toward it, and intention to donate?

RQ3: Does top/underdog perception impact intention to donate directly or indirectly?

RQ4: Do demographic characteristics impact a charity's perception as a top/underdog?

## Methodology

To investigate these questions, we used a between-subjects experimental design. Topdog/underdog effect was manipulated by showing the extent to which (multiple levels) a charity reaches its goal. Respondents were shown a brochure about a charity with a "donation thermometer" which showed the percentage achievement (58%, 78%, 98% or 138%) of last year's goal. The experiment was administered online and 374 respondents at a large mid-Atlantic university completed the survey.

Top/underdog status of the charity was measured using a single 7-point bipolar adjective scale. 7-point Likert type scales were used to measure perceived efficiency and usefulness of the charity. Attitude toward donating to the charity and intention to donate were measured.

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The results found a significant relationship ( $F = 76.5$ , d.f., 3,369,  $p < .01$ ) between top/underdog perception and the percentage goal attainment. While there was no difference between top/underdog perception and whether goal attainment was 98% or 138%, there was a significant difference between 78% of goal attainment and 98% of goal attainment and between 58% of goal attainment and 78%, 98%, and 138% of goal attainment.

For Research Question 2, the results show that of the nine characteristics there were significant differences for six. In all cases, the significant difference put the top dog charity in a better light, e.g., uses its funds efficiently ( $p < .01$ ), helps needy/deserving people ( $p < .01$ ), has competent people ( $p < .01$ ). F values indicated significance and showed that subjects who perceived the charity as a top dog had a more positive attitude toward the charity and a higher intention to donate to it.

To answer third research question Structural Equation Modeling (SEM) was used. Exploratory factor analysis was done for each variable with multiple indicators. This is followed with confirmatory factory analysis for those variables. After that a full structural equation modeling was done.

The fourth research question examined whether or not race, age, gender, or income impacted the perception of the charity. No significant differences were found.

Our findings clearly show that the percentage of goal attained is related to whether the charity is perceived as a top dog or an underdog. It is interesting that there was no significant difference in top/underdog perception between the 98% goal attainment and 138% goal attainment groups. Even

when the charity achieved 138% of its goal, 12.7% saw it as an underdog.

Whether the subject perceived the charity as a top dog or an underdog had an effect on subjects' beliefs about the charity. In terms of the factor analysis conducted as part of the SEM analysis, top/underdog perception had a significant impact on four of the five efficiency attributes and two of the four usefulness attributes. In all cases, the top dog was viewed more favorably.

Being perceived at a top or underdog did not impact the perception of whether the charity "is a good cause" and whether it "helps people better their lives." With respect to attitude toward the charity and intention to donate to it, those viewing the charity as a top dog had a more positive attitude and a greater intention to donate.

The results suggest that charities should focus on the quality and not quantity of its marketing efforts. Specifically, this means that when planning a direct mail campaign, charities must not only consider the number of people to reach and the frequency with which they will be reached, but also the quality of the solicitation so that they are perceived as a top dog.

Since including the charity's level of goal attainment in the solicitation is an effective way of communicating top dog status, goals must be set carefully. Unrealistic "stretch goals" should be avoided since the failure to meet these goals could cause the charity to be seen as an underdog or a loser.

Future research should attempt to identify goal attainment boundary percentages for top dog and underdog.

*References are available on request.*



# Part F

## Improving the Customer Journey and Services Experiences

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# The Effects of Media Dispersion on Brand Purchase: A Large-Scale Experience Tracking Study

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**Keywords:** *media effectiveness, dispersion, path-to-purchase, signaling theory, brand strength*

**Description:** *Analyzing unique individual-level path-to-purchase data collected via experience tracking, we investigate the effect of media dispersion (i.e., the extent of customers' cross-media exposure) on customers' purchase decisions.*

## EXTENDED ABSTRACT

### Research Question

Today's media environment is characterized by an increasing fragmentation of company-controlled (i.e., paid) and peer-driven (i.e., earned) media activities. To capture the ramifications of this trend, this study introduces the concept of media dispersion—the extent of customers' cross-media exposure—and investigates its effect on customers' purchase decisions. Specifically, this study addresses the following three research questions: (1) How does media dispersion across paid and earned media affect customers' purchase decisions? And how do individual customer characteristics such as (2) preexisting perceptions of brand strength and (3) brand ownership affect the effectiveness of media dispersion on brand purchase?

### Method and Data

To systematically investigate these questions, we analyze unique individual-level path-to-purchase data involving more than 25,000 customer touchpoints with competing brands. We employ a unique experience tracking approach to collect field data on customers' brand encounters across different media types. In total, 1831 customers in five countries participated in the experience tracking study. During a six-week period, this sample reported and evaluated more

than 25,000 media touchpoints with competing brands along their path-to-purchase. In practice, the respondents reported all their daily encounters with competing brands in the given product category by means of a smartphone application. This experience tracking methodology enabled us to track all paid and earned media touchpoints in an offline as well as online environment across paid and earned media touchpoints. To test our hypotheses, we use a probit model that incorporates unobserved individual-level heterogeneity. We address the potential sources of endogeneity by using the latent instrumental variables (LIV) approach to estimate our model. Additionally, we utilize a follow-up lab experiment with 183 participants to replicate the results and to conduct a mediation analysis to test signal clarity and credibility as underlying mechanisms that explain the effect of media dispersion on consumers' purchase decision.

### Summary of Findings

Our results reveal that customers' exposure across paid and earned media increases brand purchase likelihood—over and above what could be achieved by the focused exposure to paid or earned media. The amplifying effect between paid and earned media holds important insights for the cost-effectiveness of media allocations. It illustrates that diversi-

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fyng a given media budget in paid and earned media will lead to higher brand purchase likelihood. For weak brands and brands not owned by customers, this effect is even more pronounced. In particular, we find that weak brands can gain most from dispersing media activities, whereas media dispersion might even be ineffective for strong brands. Combining experience tracking with a lab experiment, we identify the interplay between signal clarity and credibility as an underlying mechanism explaining the link between media dispersion and brand purchase. Specifically, the amplification effect is rooted in media dispersions' signaling capabilities to provide high levels of clarity and credibility simultaneously. Thus, media dispersion describes an important signaling tool, which will gain increasing relevance with the augmentation of opportunities for peer-to-peer interaction.

### **Key Contributions**

Our study sheds light on an important question that currently challenges marketing researchers and practitioners alike: To what extent does the increasing fragmentation of company-controlled (i.e., paid) and peer-driven (i.e., earned) media activities affect customers' purchase decisions? Specifically,

our research offers the following three contributions. First, our study extends literature investigating media effectiveness on sales, as we conceptualize and examine media dispersion as a determining factor of customers' purchase decisions. This is a crucial extension of current studies on media effectiveness, which consider the effectiveness of company-controlled paid and peer-driven earned media on customers purchase decision in isolation. Second, our study provides a methodological contribution to consumer analytics and the nascent research stream on attribution modeling. As current attribution models tend to neglect the effect of cross-media exposure on customers' purchase decisions, marketing research might substantially overestimate or underestimate the effectiveness of different media on brand purchase. Third, we investigate the moderating influence of preexisting perceptions of brand strength and current brand ownership. Investigating media strategies in light of the heterogeneity of customer characteristics has vital implications for managerial practice as it allows to augment purchase by addressing the "right" target groups.

*References are available on request.*

# Events as a Customer Touchpoint in Student Life: Creating Valuable Experiences and Lasting Impressions

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**Keywords:** *event marketing, higher education, customer experience, student life, emotion, brand development*

**Description:** *The study provides new insights on the possible effectiveness of event marketing as a tool for universities to strengthen their connection to their given students.*

## EXTENDED ABSTRACT

### Research Question

Nowadays, universities are catering to numerous stakeholders and they are oftentimes judged by very different perspectives. Therefore, acting out of a strong and well defined brand image can only help to deal with the rising market pressure (Celly and Knepper, 2010; Maringe and Gibbs, 2009). In addition to traditional marketing tools like advertisements in magazines or even TV commercials, universities are implementing new forms of advertising as well as event marketing into their marketing mix in order to ensure their success (Chapleo, 2010). Such new marketing tools have generally become more and more valuable since consumers become less responsive to more traditional forms of advertising (Belch and Belch, 2007).

This research concentrates on the effectiveness of event marketing as one possible approach of universities to strengthen their relationship with a their main and most fluctuating target group, i.e. students. Previous research has shown that having a successful university brand and staying attractive for students can be enforced by introducing and maintaining affective elements such as fun or excitement (Alwi and Kitchen, 2014; Bennett and Ali-Choudhury, 2009). Event marketing, therefore, can cater to these ideas and help to develop the university brand.

### Method and Data

To empirically test our conceptual model, we used a mixed methods approach and combined qualitative focus group studies with a quantitatively oriented questionnaire survey. All in all, 20 focus group discussions following a structured procedure were conducted. Within those groups students as well as members of the faculty were present to evaluate the given events. Based on these results, we developed a standardized questionnaire that was distributed to participants of university events. For our investigation, we interviewed students during two events of two german universities. To achieve comparability, we chose a similar event type (job fair organized by members of the given university). Both Events were advertised in advance with clear connection to the university and were held on campus. Attendees of these events were asked to participate right after leaving the event venue.

We collected data of  $n = 298$  participants in total at the university events, 50.7% of which female and 49.3% male. The average age was at 22.36 years, thus representing the typical age structure of our target group in the student sample. The majority of the students in our sample were bachelor students (60.7%).

### Summary of Findings

Most of the assumptions made in advance were supported by our research and provide reason to believe that the study gives

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real insights to the way how universities can gain a better identification from their students through event marketing.

The events tested in this study are, taken by itself, not strong enough to take a real influence on the attitude of students towards their university. Quality of education, quality of research as well as additional factors are important aspects for the attitude of students towards their university and could have a strong effect on the taken measurements (Watkins and Gonzenbach, 2013).

Nevertheless, the also measured identification with the university can, in fact, be influenced through university events. By participating in the activities on campus the student feels a short time connection to the university. By actually living the brand message, conveyed by the events they feel a

stronger identification with the university. Participation therefore leads to briefly felt connection to the brand, but in this case has no influence on the student's overall attitude towards its university.

### **Key Contributions**

Universities seem to benefit in terms of higher levels of student identification with each event on their campus, but do not necessarily directly profit from an enlargement of the attitude towards their brand by the event attendees. Additional research to further investigate the connection of different types of events and the possible different outcome to their influences towards the different stakeholders of universities may provide additional insights into this very special field.

*References are available on request.*



# A Longitudinal Investigation of Customer Compliance: The Role of Appraisal Toward Compliance Behaviors

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**Keywords:** *goal-driven behavior, cognitive appraisal, customer compliance, customer satisfaction*

**Description:** *Drawing on the goal-driven behavior theory, this study investigates how presatisfaction, goal intention, and appraisal processes toward compliance behavior influence the subsequent compliance and further promote goal achievement and post satisfaction.*

## EXTENDED ABSTRACT

### Research Questions

To deal with the major societal problems such as obesity, alcohol addiction and overwhelming debt, many behavioral change programs (e.g., weight-loss program, alcohol-quitting program, and debt management program) have been developed. However, customer compliance rate in these programs is prevalently low, leading to the low success rate. To address the low compliance rate, this study sets out to explore how consumers' motivations influence their compliance behaviors, which in turn affect customer's goal achievement and satisfaction with the service provider. Particularly, we intend to explore what the role played by customers' appraisal of compliance behavior in driving customer compliance is.

### Method and Data

A two-wave longitudinal survey design was employed in this study. A total of 3,500 clients who have enrolled in a debt management program for at least 4 months were randomly selected to receive the survey. After two wave data collection, 167 usable cases were remained in the final dataset. We employed partial least squares structural equation modeling (PLS-SEM) to in conjunction of SmartPLS 2.0 in data analysis given PLS-SEM is capable of handling both reflective and formative measurement and dealing with the small sample size.

### Summary of Findings

Our results show that customers' appraisal toward compliance behavior plays a vital role in driving compliance behaviors. The three appraisal factors including instrumental belief, affect, and efficacy fully mediate the relationship between both internal motivation (i.e., goal intention) and compliance and the relationship between external motivation (i.e., customer satisfaction) and compliance. Each of the three appraisal factors is directly associated with compliance, but the effect of the three-way interaction among the three factors was not significant. Compliance lead to goal achievement but its direct effect on customer satisfaction was not significant. Beyond the strong effect of past customer satisfaction, goal achievement contributes significantly to customer satisfaction.

### Key Contributions

This study contributes to the compliance literature in several important ways. First, this study established a goal-driven approach to studying customer compliance. Second, this study enriches the compliance research by showing the critical role played by cognitive appraisals towards compliance in driving compliance behavior. Specifically, we found that the appraisal process fully mediates the effects of both internal and external motives on customer compliance. Third,

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we tested the three-way interactions of the three appraisal factors (self-efficacy\* instrumental belief\* affect) on compliance in the context of behavior change program. Our result is contradictory with Bagozzi's original findings. This result sheds new light on the goal-driven behavior theory by pointing out an alternative explanations regarding how the three appraisal presses function. Finally, different from most previous studies

on compliance or more broadly customer cocreation which largely rely on cross-section surveys, we employed a two-wave longitudinal design. The longitudinal design helps us better capture the temporal changes in the service programs and test the causal relationships among factors.

*References are available on request.*

# Brand Evangelist: A Powerful Brand Choice Influencer

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## EXTENDED ABSTRACT

The social influence literature defines a social influencer as a person or customer who has the power to affect purchase decisions of others because of their (real or perceived) authority, knowledge, position, or relationship (e.g., Feick and Price 1987; Flynn and Goldsmith 1996). The social influence literature has identified two types of social influencers, namely, market mavens and opinion leaders (e.g., Feick and Price 1987; Trusov et al. 2010). While market mavens exert their influence power by sharing information about many kinds of products, places to shop, and other facets of market (Feick and Price 1987), opinion leaders influence others in the network by providing product category-specific information (Trusov et al. 2010). This research stream has set foundation for the word-of-mouth (WOM) marketing literature (e.g., Bruhn and Lilien 2008; Chen, Wang, and Xie 2011). In today's business, every firm desires positive WOMs towards its brands and products. In order to generate positive and influential WOMs, firms seek to identify and target customers who are knowledgeable and passionate about their brand(s) and use them as brand evangelists (BEs). However, the literature has not yet acknowledged and identified BEs and their social influence power.

In this research, we define BEs as customers who are passionate about a particular brand, who speak in favor of the brand by passing along WOM messages to other potential customers in the hope that they will join in on purchase the brand. We propose that BEs are more likely to engage in the following behaviors to support the brand (i) sharing positive information and feelings about the brand, (ii) promoting the brand to others, and (iii) defending the brand from criticism. Using three studies with actual consumers, we develop a

scale to help firms identify BEs through their behaviors. In light of motivation and incentive theories, and the brand attachment literature, we find that consumers' bond with the brand and desire for social connection and recognition are important emotional and social drivers of BEs. Interestingly, the findings show that the influence power of BEs on other consumers' brand choice is stronger than that of opinion leaders and market mavens.

Our research offers significant contributions to the branding, WOM, and social influence literature. First, as important as WOM is to firm performance, managers strive to encourage positive WOM from their customer base (Cheema and Kaikati 2010). However, positive WOMs are usually generated by passionate customers. Hereby, the key question is who these customers are. We suggest that customers who support, promote, and defend the brand over other competing brands in the same market should be nurtured, developed, and valued by the brand so as to turn them into brand evangelists. Our research provides a comprehensive understanding of drivers and consequent behaviors of these social influencers. Second, as compared to other types of social influencers, BEs not only share information and feelings, but also promote and defend the brand they support, making their impact more impactful for message receivers and ultimately enhance brand performance. Although, the value of BEs seems substantial and compelling, brand managers may find difficult to quantify their impacts. This research provides guidance to brand managers to overcome this difficulty and therefore adds significant managerial relevance to the research domains.

*References are available on request.*

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# The Loyalty Effect of Gift Purchases

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**Keywords:** *customer loyalty, gift purchases, customer–company relationships, experimental research*

## EXTENDED ABSTRACT

### Research Question

Gift giving is a universal, economically relevant consumer behavior that serves as a vehicle to maintain social ties. Extant research acknowledges the relevance of gift giving for our daily life and for strengthening relationships between the gift giver and the gift receiver. To date, however, prior research has largely overlooked how gift purchases might affect gift givers' relationships with the focal company where they purchased the gift. The aim of our research is to answer the following research questions: (1) Can gift purchases increase customer loyalty? (2) If yes, what are the key determinants driving the loyalty effect of gift purchases?

### Method and Data

In Study 1, we conduct a field study with an international beauty retailer. Employing propensity score matching and difference-in-differences estimation, we compare the sales levels of customers who purchased a gift at the company (i.e., treatment group) and customers who never purchased a gift at the company (i.e., control group). In Study 2, an experimental scenario study, we extend our findings with a consumer sample. The study uses a posttest only control group design in which the two groups vary in terms of the type of purchase, i.e. a gift purchase versus a purchase for personal use. We apply partial least squares analyses to test the mediating role of customers' situational involvement and affective commitment in the gift purchase–customer loyalty link. To enhance the generalizability of our results, we conduct the study in two different industry contexts (i.e., hedonic and utilitarian).

### Summary of Findings

First, we find gift purchases to successfully strengthen customer-company relationships in a real business setting.

The results of our field study indicate that customers purchasing a gift product subsequently spend significantly more than comparable customers purchasing products for personal use. Second, we demonstrate that the loyalty effect of gift purchases occurs because gift purchasers exhibit more situational involvement than nongift purchasers do. This leads to an increase in affective commitment that finally translates into higher customer loyalty. Third, our results show that the loyalty effect of gift purchases holds in both hedonic and utilitarian industry contexts.

### Key Contributions

This research analyzes the relationship between the gift giver and the gift company. With this approach, we contribute to marketing research and practice in three ways. First, we offer a new perspective on the relationship-building potential of gift purchases. We show that beyond increasing companies' overall sales, gift purchases deepen the relationship between the gift giver, i.e. the customer who purchases the gift, and the company who provides the gift. Second, we detect the relevant psychological mechanisms spurred by gift purchases. This allows us to explain why and how the loyalty effect emerges. Thereby, our research enlarges existing relationship marketing research investigating how relationships between customers and companies develop and grow stronger. Third, our field data enables us to quantify the financial impact of gift purchases, denoting a 57 % increase in customers' subsequent sales. Overall, our research identifies gift purchases as a new effective relationship marketing instrument to increase customer loyalty across different industry contexts.

*References are available on request.*

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# Hedonic Experience: Applying System Dynamics to Explore Customer Repatronizing Intention

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**Keywords:** *hedonic value, word of mouth, customer delight, service recovery, repatronizing intention*

**Description:** *This research proposes a holistic framework to investigate the relationship between hedonic value and customer repatronizing intention.*

## EXTENDED ABSTRACT

### Research Question

The service industry contributes to 70% of the GDP in developed countries according to the OECD report in 2015. The report of Forbes (2014) indicated 70% of buying experiences are influenced by how the customers feel like they are being treated. Existing literature mostly indicated that the determinant of customer intention is the utilitarian or hedonic orientation of a product (Babin et al. 1994; Holt 1995). Hedonic value also influences consumer intention (Scarpi, 2012; Anderson et al. 2014). The connection between customer satisfaction (hedonic value) and intention is important. However, the factors that may influence customer experience and repatronizing intention still need further investigation. In the competitive business environment, satisfied customers may not continue to patronize the same store (Mittal et al. 1998; Anderson and Mittal 2000). This research aims to propose a holistic framework to investigate the factors influencing patronizing and repatronizing intention. Hence, we propose three research questions: (1) how will customer delight influence repatronizing intention? (2) what is the impact of word of mouth generated by hedonic value on new and old customers? and (3) how will service recovery sufficiently influence customer repatronizing intention?

### Method and Data

System dynamics, proposed by Forrester (1956), is based on the concept of feedback control theory in system engineering. System dynamics uses simulation to investigate the complex economic system in the society; furthermore, it deals with the decision-making problem in business, indus-

try, economy, etc. (Sterman 2000). The features of system dynamics include nonlinearity, information feedback, time delay, and dynamic complexity (O'Connor and McDermott 1997). Information feedback is based on a causal feedback loop, including reinforcing feedback and balancing feedback. The causal feedback loop diagram is the foundation of system dynamics (Mirchi et al. 2012). Moreover, time delay is also important to system dynamics. Positive, negative, and delay loops form a system archetype, which can assist in taking a closer look at the problems and diagnosing the optimal solution. Causal feedback loop diagram presents a holistic framework and indicates causal relationships among variables. This research builds a framework based on existing literature to support causal relationships, including four feedback loops (two reinforcing feedback and two balancing feedback). In this research, the system archetype is "limits to growth," which means the reinforcing feedback loop is the key in the framework, and increases slowly in a time-period under certain constraints.

### Summary of Findings

Result shows that a high hedonic value results in high repatronizing intention, and increases quickly in a short time period (0–20 weeks). Simulated result shows that a high hedonic value and a high repatronizing intention results in fast WOM. The result confirms that satisfied customers (high hedonic value) are willing to come back to the theme park (high repatronizing intention) and share the experience with others quickly. Consequently, this encourages not only the retention of old customers but also the discovery of potential customers. Result also indicates that hedonic value

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influences customer delight. High hedonic value results in quick high customer delight (around 10 weeks). The rate of increase in customer delight is around 300%. The result also proves that companies need to constantly surprise customers and improve service quality. High customer delight will result in high trust in a company. Customers may quickly sense the change in the company and promptly increase the degree of delight and repatronizing intention.

### **Key Contributions**

This research aims to explore the changes in customer repatronizing intention and the influential factors. The result showed that customer hedonic value is a major influence. We used system dynamics to build a holistic framework in terms of a causal feedback loop diagram. We discovered that customer delight, WOM, service recovery, and repatronizing

intention are interrelated. Our analysis shows hedonic value indirectly influenced customer delight during service experiential process. The result also indicated that a high hedonic value influenced WOM efficiently, which witnessed a 70% increment in 5 weeks, compared to the influence of a low hedonic value. If companies provide excellent and delightful service experience to customers, the delivery speed of WOM will be tenfold. Our analysis also indicates that prior hedonic value may influence repatronizing intention. The improvement in service will enhance customer delight, trust, and loyalty. Satisfaction is also an important factor that influences WOM, trust, loyalty, and repatronizing intention. Consequently, this research infers hedonic value via service experience has a high impact on customer repatronizing intention.

*References are available on request.*



# When Service Recovery Actions Backfire

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**Keywords:** *online service recovery, webcare, service failure, complaints, negative electronic word-of-mouth*

**Description:** *This research investigates the nature and drivers of consumer webcare receptiveness as well as its key role for explaining outcomes of webcare interventions.*

## EXTENDED ABSTRACT

### Research Question

Social media not only enables customers who are dissatisfied with a company or brand to make a public complaint and seek a solution for their consumption problem from the company (i.e., complainers) but it also furnishes individuals with the opportunity to offend the company without seeking a reaction directly from the company (e.g., brand haters). For the latter, unwanted webcare interventions are theorized to stimulate a “spiral of negativity.” This research investigates the nature of consumers’ webcare receptiveness (i.e., a consumer’s willingness to receive online service recovery actions favorably) and its role for determining consumer postwebcare reactions. Specifically, this research is guided by the following research questions:

1. What are the motivational antecedents of consumer webcare receptiveness?
2. What are the favorable and unfavorable consequences for the company when receptive (unreceptive) dissatisfied consumers receive (don’t receive) webcare?

### Method and Data

For answering the research questions, this research collected empirical data from multiple countries. More specifically, adult consumers from a US and German online panel were asked to participate in an online survey conducted in December, 2015. The study investigated the circumstances of complaint patterns of 812 (US: 432; DE: 380) individuals who recently had a dissatisfactory brand experience and who had decided to voice their dissatisfaction publicly on Facebook or Twitter. The questionnaire consisted of multiple parts covering a variety of influencing factors that led to public complaining (i.e., personal and contextual variables),

the company’s reaction, prewebcare factors (e.g., relationship strength) and postwebcare outcomes (e.g., brand attitude, positive (negative) word-of-mouth intentions). The standardized questionnaire only included scales from established scales published in international marketing journals. The psychometric qualities of the scales were verified by using exploratory and confirmatory factor analysis along with other statistical methods.

### Summary of Findings

Quantitative data allowed us to assess the first research question by using a logistic regression. Results show that webcare receptiveness is driven by a multifaceted set of complainers’ goals. Specifically, the motivation to seek (i) advice and compensation from the company, (ii) empowerment, (iii) helping the company and (iv) recognition by the company were found to drive the complainer’s disposition to view webcare favorable. In addition, we found several factors that reduce the willingness to regard webcare interventions as acceptable. Among these, consumer goals such as altruism and entertainment can be found. Interestingly, venting was not found to have a significant negative impact on webcare receptiveness. In total, research indicates that a major proportion of webcare receptiveness can be explained by complainers’ personal and collective goals. Regression analysis provided further evidence that webcare satisfaction is influenced by precomplaint motivations. In respect to postwebcare outcomes our analyses demonstrate that webcare receptiveness is a key moderator of the influence of webcare (provided or not) on postwebcare outcomes such as consumer satisfaction with the company or brand, brand attitude, positive and negative eWOM intentions. While the majority of complainers’ patterns turned out as predicted, results also showed that providing webcare to individuals

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who do not want webcare significantly reduces their intention to communicate negative things about the company to others while webcare to receptive individuals increases their intention.

### **Key Contributions**

The research advances our knowledge about the factors that drive consumer webcare receptiveness and unreceptiveness. Hence, it extends our knowledge gained from the pioneering work of Willemsen et al. (2013). More importantly, however, it provides valuable insights into the outcomes of desired and undesired webcare interventions. Results show that even undesired webcare leads to many favorable out-

comes such as increases in postwebcare satisfaction, brand attitude and positive eWOM intentions. However, the research also identifies a condition in which desired and obtained webcare backfires on the company in the form of negative eWOM directed to friends, family members, acquaintances and third parties. Consequently, goal achievement seems to reinforce future moaning behaviors. The research at hand, therefore, should relieve marketers that even undesired webcare can trigger (often introversive) favorable attitudes towards the company but it also warns about a potential “spiral of negativity.”

*References are available on request.*

# Two Linguistic Determinants of Switching Behavior in Cross-Cultural Encounters: Conversation Initiation Language and Bilinguality

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*Fuad Hasan, University of Texas Rio Grande Valley*

**Keywords:** *language, identity, service encounter, switching, Hispanic*

**Description:** *This paper empirically tests the effects of employee choice and use of language on customer switching behavior.*

## EXTENDED ABSTRACT

### Research Question

Do employee choice and use of language compel customers to consider branch switching (i.e., switching from one to another location within the same brand) and/or brand switching (switching to another brand altogether) in multicultural service encounters?

### Summary of Findings

Findings suggest that employee choice and use of language to initiate and maintain conversations with customers may pass as acts of identity assignment and, thereby, may compel customers to consider branch switching.

### Key Contributions

Focused on multicultural service encounters, the paper (a) argues that employee choice and use of language to initiate and maintain conversations with customers may pass as acts of identity assignment; and (b) examines whether such employee acts may compel customers to consider branch switching (i.e., switching from one to another location within the same brand) and/or brand switching (switching to another brand altogether). Using interaction adaptation theory, the paper develops and empirically tests a model where the effects of employee choice and use of language on switching are mediated through customer evaluations of interaction quality, service quality, and satisfaction. Results support the proposed sequence of effects with regards to branch switching and suggest that service firms should formalize and practice multiculturally appropriate communication strategies.

*References are available on request.*

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# Examining the Effect of Necessary Evil on Witnessing Customers' Reactions to Dysfunctional Customer Behavior

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**Keywords:** *necessary evil, dysfunctional customer behavior, justice, service quality, word-of-mouth*

**Description:** *This research explores how frontline employees can adopt the strategy of necessary evils to manage dysfunctional customers and to enhance the service experiences of surrounding customers.*

## EXTENDED ABSTRACT

### Research Question

The common presumption “the customer is always right” suggests that frontline employees are expected to serve customers with pleasant emotions, even when dealing with dysfunctional customers (Rupp and Spencer, 2006). However, it is possible that employees’ positive responses (e.g., compliance with a smile) to dysfunctional customers can be viewed by surrounding customers as the inability of the employees to manage undesirable service encounters. To answer Allen et al.’s (2010) call for further attention on the customer encounters in which frontline employees need to intentionally express unpleasant emotions, we propose that frontline employees can cope with dysfunctional customers by using the strategy of necessary evils. This strategy represents frontline employees’ behavior of knowingly and intentionally upsetting dysfunctional customers in order to achieve the greater good of maintaining the experiences of the surrounding customers, such as a situation in which a counselor has no choice but to expel inappropriate clients. We draw on equity theory (Adams, 1963) to examine how necessary evil exerts a positive effect on surrounding customers’ service quality perceptions and positive word-of-mouth intentions through deontic and interactional justice, and how the effect varies based on different conditions, such as the severity and target of dysfunctional customer behavior.

### Method and Data

Study 1 serves the purpose of testing the effect of necessary evil on the dependent variables as well as the mediating

effect of interactional justice and deontic justice. Recruiting participants from M-turk, we collected 230 usable responses. We used critical incident technique to first ask participants to recall a recent service experience in which they saw other customer(s) intentionally behaving in a dysfunctional manner in a hospitality or retail context. Shortly after describing the recalled experience, participants were instructed to fill out a survey questionnaire consisting of the dependent measures, including service quality (Brady and Cronin, 2001), positive word-of-mouth (Brown et al., 2005), interactional justice (Smith, Bolton, and Wagner, 1999) and deontic justice (Porath et al., 2011). Study 2 further examines the mediating role of interactional justice and deontic justice in an experimental setting as well as investigates the moderating effects of dysfunctional customer behavior target and severity. We recruited 200 undergraduate students to participate in a scenario-based experiment with a 2 (necessary evil: Yes vs. No)  $\times$  2 (dysfunctional customer behavior target: employee or customer)  $\times$  2 (dysfunctional customer behavior severity: high vs. low) between-subjects design. The dependent variables were measured as in study 1.

### Summary of Findings

According to the results of study 1, we found that necessary evils had a statistically significant effect on both service quality (necessary evil:  $\beta = .20, t = 3.24, p = .001$ ) and positive word-of-mouth (necessary evil:  $\beta = .16, t = 2.56, p = .01$ ). Additionally, we found that the indirect paths had a

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95% confidence interval that did not include zero for interactional justice (0.01, 0.10) and deontic justice (0.01, .09). Consistent with study 1, the findings of study 2 suggested that the positive effect of necessary evils on witnessing customers' perceived service quality and positive word-of-mouth was mediated by the fairness perception of interactional justice and deontic justice. Moreover, the results indicated that the positive influence of necessary evils on interactional justice and deontic justice was strengthened when the target of dysfunctional customer behavior was the witnessing customer while the severity of dysfunctional customer behavior did not have a moderating effect.

### **Key Contributions**

This research contributes to the literature in a few meaningful ways. First, it broadens the necessary evil literature by proposing necessary evils as a strategy to deal with dysfunctional customer behavior. Second, it extends the literature on

dysfunctional customer behavior. Prior research has paid little attention to the perception and experience of surrounding customers, as well as to the role of dysfunctional customer behavior target and severity. The current research contributes to this literature by investigating the perceptions of the customers who witness dysfunctional customer encounters, by proposing a way to encourage positive responses from the witnessing customers, and by exploring the moderating effects of dysfunctional customer behavior severity and target. Lastly, it offers implications to assist organizations in understanding how to manage dysfunctional service encounters. To maintain the service experiences of surrounding customers, frontline managers are recommended to empower the employees to use the necessary evil strategy to deal with dysfunctional customers, particularly when dysfunctional customer behavior is targeted at witnessing customers.

*References are available on request.*

# Service Awards: Do They Help or Hurt in Case of Service Failure?

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**Keywords:** *service awards, service category, customer satisfaction, repurchase intention, negative word-of-mouth*

## EXTENDED ABSTRACT

### Research Question

Service awards are a frequently used marketing instrument that deserves further attention by service researchers and practitioners. This study enhances our understanding of service awards by considering their role in case of service failures. Can service awards offset the negative effects of a service failure? Or do service awards increase the gap between customers' expectations and perceived performance, making the failure even worse? We analyze the effect of service awards on customer behavior (i.e., repurchase intention and negative word-of-mouth) in case of a service failure, mediated by customer satisfaction. Further, we consider the category in which the service provider performs, i.e., premium versus budget services, to be an important moderator of service awards' effectiveness.

### Method and Data

We conduct an experimental study with 498 participants, relying on the scenario approach in the context of restaurants. Employing a 2 x 2 between-subjects factorial design, we manipulate service awards (service award vs. no award) and service category (high vs. low) on two levels each. To test the conceptual model, we use partial least squares (PLS), which is well suited for investigating experimental data with mediated causal relationships.

### Summary of Findings

Drawing on assimilation and contrast theories, our study unveils service award's ability to help or harm in case of a service failure, depending on service category. In particular, our results suggest that, for low category providers, service awards increase customers' repurchase intention and decrease negative word-of-mouth in case of a service failure. The opposite holds for service providers in high categories, where service awards ultimately result in even lower repurchase intention and higher negative word-of-mouth intention, thus making things worse. These moderating effects are fully mediated by customers' satisfaction.

### Key Contributions

Our study enriches marketing and service literature by investigating the role of service awards in case of a service failure. Furthermore, our work stresses the role of service category in the evaluation of service awards. In particular, service awards have the potential to either buffer or aggravate the negative consequences of service failures, depending on the service category. The results provide managers with actionable guidelines how to handle service awards in a way that they help instead of harm.

*References are available on request.*

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# CSR and Service Recovery Efforts: The Role of Social Connectedness

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**Keywords:** *corporate social responsibility, service failure, social connection, consumer loyalty, consumer satisfaction*

**Description:** *This paper examines how reactions to service failure can be minimized through the inclusion of corporate social responsibility and social connectedness.*

## EXTENDED ABSTRACT

### Research Question

Why does CSR impact consumers' perception of a service failure?

### Method and Data

Two experiments are utilized to test the hypotheses. The first study is a between subject design manipulating the presence of CSR and social connectedness. The context of the service failure for the first study is a website that malfunctions through broken links. The second study measures rather than manipulates social connectedness. The context of the study is a restaurant with poor service.

### Summary of Findings

CSR and social connectedness influence consumers' reaction to a service failure through the perceived warmth and competence it implies.

### Key Contributions

Even the best intentioned companies' periodically experience service failures, the results of which range from the brief, and minimal to the enduring, and catastrophic. Research has shown that companies can mitigate these negative consequences by communicating their CSR activities. The current investigation builds upon these prior findings by arguing that social connectedness alone is sufficient in bolstering the effectiveness of these CSR communications within the service failure context. Across two experiments, we demonstrate that when companies communicate their CSR activities elevated levels of social connectedness significantly decrease negative reactions following service failures. This effect occurs because social connectedness aligns with and heightens the perceived warmth communicated by company CSR, which subsequently enhances perceived competencies.

*References are available on request.*

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# Eye for an Eye? Service Employee Reactions to Customer Incivility

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*Meike Eilert, University of Nebraska–Lincoln*

**Keywords:** *retaliation, customer service, customer incivility, ego threat*

## EXTENDED ABSTRACT

### Research Question

This paper addresses the question whether and why employees treat uncivil customers more badly. Service employees perform critical tasks crucial for service delivery, perceptions of quality, and ultimately, customer satisfaction. When service employees encounter rude customer behavior, employees may (intentionally or unintentionally) reciprocate by offering lower service levels. We hypothesize that employees are generally more likely to offer lower service levels to customers perceived as uncivil than those that are not. We argue that this behavior is due to perceived ego threat.

### Method and Data

We implemented a field and an online experiment to test our hypothesis. The field experiment ( $n = 221$  interactions) manipulated customer behavior by training students to act as either uncivil, neutral, or “sweethearting” customers of different ice cream shops. We measured the amount of ice cream served as a proxy for the service level received. The second study employed a scenario-based online experiment ( $n = 59$ , recruited from Amazon’s Mechanical Turk), in which respondents were randomly assigned to an uncivil or polite customer interaction as an airline service agent. The respondents were asked to resolve the request by the customer (seat change) and we measured the quality of the seat chosen for the customer as a proxy for service level rendered.

### Summary of Findings

Findings from both the field-experimental study and the online experiment show that employees offer lower service levels to customer incivility. We further find that this effect is mediated by a perceived ego threat, and that employees’ persuasion knowledge moderates this relationship.

### Key Contributions

Our research makes several contributions to theory and practice. First, we find that employees do offer different service levels to customers based on the customers’ treatment of the employee. This finding makes a contribution to the services marketing literature as service providers strive to provide consistent service in order to build and maintain their brand as well as consistent customer relationships. Second, we explore ego threat as a mediator and persuasion knowledge as a moderator of the customer behavior–employee behavior relationship in order to explain reasons and contingencies for the observed employee behavior. This finding adds to the literature on outcomes of incivility in the workplace by further investigating mediating processes. Understanding these processes can help managers develop programs (e.g., employee training) to alleviate the consequences of negative customer behavior.

*References are available on request.*

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# The Impact of Emotional Brand Attachment on Brand Extension Success

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**Keywords:** *brand extension success, emotional brand attachment, consumer-brand relationships, Johnson-Neyman procedure, floodlight analysis*

## EXTENDED ABSTRACT

### Research Question

Brand extensions, the use of established brands in new product categories, (e.g. Aaker and Keller 1990) serve as an important marketing growth strategy for a lot of new product introductions. Given that new products are prone to failure the use of an established brand can help facilitate acceptance of the new product by reducing consumers' perceived risk, enhancing efficiencies associated with distribution and promotional activities, and reduced overall costs associated with launching a new brand. Prior research on brand extensions has demonstrated that the fit between a parent brand and its extension is the most important driver of the extension's success (Völckner and Sattler 2006). However, the consumer marketplace also provides a number of examples of successful brand extensions that are distant from their parent brand, respectively with less fit to it. The role of consumers' emotional brand attachment with regard to reactions to a brand extension has largely been neglected in the literature so far. We believe that attachment theory (e.g. Bowlby 1979) can help explain why consumers differentially evaluate brand extensions. In particular, we propose that consumers who have strong emotional bonds to a brand will be less impacted by a lack of category fit of the extension with the parent brand.

### Method and Data

In this paper we investigate the moderating role of brand attachment on consumers' reactions to brand extensions that vary in terms of fit with the parent brand. We begin by providing a review of the brand extension success and brand attachment literatures, along with offering hypotheses. We suggest that consumers who are emotionally attached to a

brand will be less impacted by a lack of brand extension fit, compared to those who are less attached to the brand. In other words, consumers who are emotionally attached to a brand essentially wear "rose colored glasses" when evaluating brand extensions. Furthermore, we propose that brand image fit, rather than product category fit, will play a more central mediating role in the observed effects. We then report the results of an experimental study regarding the evaluation of different extensions for a real-world brand.

### Summary of Finding

For our study we have data from a household panel available. We used a three level between-participants design and manipulate fit of the extension. A two-step regression analysis and follow-up floodlight analysis (cf. Spiller et al., 2013) indicate that those who are emotionally attached to a brand are largely unaffected by lacking brand extension fit, resulting in positive attitudes and purchase intentions (compared to those who are less attached). Moreover, multiple mediator analyses indicate that brand attachment's moderating effect is mediated through brand image fit.

### Key Contributions

Overall, our empirical results underscore the importance to consider the impact of consumers' emotional attachments to brands when making decisions about brand extensions. The results of the research suggest that prior work demonstrating the importance of brand extension fit with the parent brand should also consider consumers' emotional brand attachment. While promising for brands that have a following of true brand aficionados, one needs to consider that brand extension fit has a significant influence on brand extension

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evaluations for those who are less attached to the brand. Moreover, our findings indicating that brand image fit mediates the moderating effects of attachment indicate the important role of a brand's image in how consumers respond to

brand extensions. Finally, we contribute to managerial perspective by giving implications for marketing practitioners.

*References are available on request.*

# Analyzing Drivers of Consumers' Acceptance of Mobile Proximity Payment

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**Keywords:** *in-store mobile payment (M-Payment), Technology Readiness Index (TRI 2.0), Extended Technology Readiness and Acceptance Model (eTRAM)*

**Description:** *This research investigates the drivers of consumers' acceptance of mobile proximity payment.*

## EXTENDED ABSTRACT

### Research Question

Despite the growing usage of mobile devices for a number of everyday tasks, diffusion of in-store mobile payment (M-Payment), i.e., mobile proximity payment, is still low and customers' acceptance is sparse. While in a technology-driven retail environment, different mobile payment technologies are available and some retailers already offer M-Payment at the point of sale, it remains unclear whether consumers are generally ready for in-store M-Payment adoption. These thoughts lead to two important research questions:

1. Are people psychologically ready to use M-Payment technologies yet?
2. Which motivational benefits would foster the acceptance of mobile payment technologies?

### Method and Data

To clarify our research questions, we build a conceptual model that combines the individual disposition to adopt and use in-store M-Payment technologies with system-based evaluations. By applying our extended Technology Readiness and Acceptance Model (eTRAM) to a representative sample ( $N = 3,250$ ) in a large European country market, we empirically investigate the effects of technology readiness in the context of in-store M-Payment. We rely on confirmatory factor analyses (CFA) and covariance-based structural

equation model (CBSEM), using AMOS 21, to analyze our data.

### Summary of Findings

Referring to our first research question, our results show an impact of technology readiness on all determinants of behavioral intention to use. This indicates a general influence of the disposition to adopt and use technology on the assessment of system characteristics. Considering the individual dimensions of TRI 2.0 the results show that the mental motivators, i.e., optimism and innovativeness exceed the mental inhibitors, i.e., insecurity and discomfort, however only marginally. With regard to our second research question, convenience has the strongest effect on behavioral intention to use, followed by usefulness and trust. This order emphasizes the relevance for payment services and retailers to develop fast and effortless M-Payment solutions.

### Key Contributions

The contribution of this study is three-fold: (1) We investigate what might motivate individuals to use their mobile devices for in-store M-Payment, (2) we develop a conceptual model for in-store M-Payment acceptance and (3) we provide one of the first studies that empirically employ TRI 2.0 in a large sample field study in which we capture future usage intentions as well as actual, self-reported in-store M-Payment usage.

*References are available on request.*

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# Understanding Communication and Message Features in Omnichannel Communication Strategies

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*Jordan W. Moffett, Louisiana State University*

*Irina Kozlenkova, Michigan State University*

*Robert W. Palmatier, University of Washington*

**Keywords:** *omnichannel communication, Bayesian estimation, Markov chain Monte Carlo, latent instrumental variables, endogeneity*

**Description:** *This paper aims to understand how omnichannel communication affects customer relationships over time by using longitudinal data collected across 201,398 customers over 20 months to investigate the impact of richer (face-to-face, telephone) versus leaner (email) communication channels on share of wallet, taking into consideration certain communication (maxima, substitution, and carryover) and message (timing and complexity) features.*

## EXTENDED ABSTRACT

### Research Questions

We aim to address the following three research questions: (1) What is the effect of omnichannel communication on customer relationships over time? (2) What communication (frequency/maxima, substitution, and carryover) and message (timing and complexity) factors leverage or suppress the success of each communication channel? (3) What are the differences among communication channels (face-to-face, telephone, and email) with regard to these communication and message features?

### Method and Data

We obtained data from a large Fortune 500 financial services firm with a final sample of 201,398 customers who began their relationship with the focal firm at the same time and were tracked over a 20-month period. To capture the strength of the customer's relationship with the focal firm, we use customer share of wallet as our outcome variable of interest. We estimate our model using a fully Bayesian approach that incorporates geometric distributed lag effects for the three communication channel variables (face-to-face, telephone, and email frequency). We

account for endogeneity, censoring, and decay in omnichannel communication effects over time, using a latent instrumental variable approach and a Markov chain Monte Carlo sampling algorithm (Ebbes et al. 2005; Rutz, Bucklin, and Sonnier 2012; Tanner and Wong 1987). To our knowledge, our paper is among the first to illustrate how to estimate a model with censoring, decay in communication, and latent instruments within one unifying Bayesian framework.

### Summary of Findings

Our paper has four key findings. First, we found that richer channels (telephone) wore out faster (i.e., had a lower communication maxima) than leaner channels (email) but on the other hand had a higher carryover effect. Second, we found substitution effects (i.e., negative interactions) among all pairs of communication channels. Third, we found that richer channels were more effective at onboarding customers (i.e., face-to-face, telephone > email). Fourth, we found that face-to-face communication, the richest communication channel, was the only channel that enhanced firm performance with complex messages.

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## **Key Contributions**

This paper advances previous omnichannel communication research by integrating multiple communication channels along with important communication and message features into a single model that captures the communication cost-benefit tradeoff. In addition, our findings collectively provide

insights into designing and implementing omnichannel communication strategies that can enhance firm performance while simultaneously reducing firm costs, which can ultimately serve as a guide to both managers and practitioners.

*References are available on request.*

# From “Add to Cart” to “Call to Action”: Is Your Button in the Right Color and Place?

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**Keywords:** *add to cart, arousal and evaluative effect of color, embodied and referential meaning of color, left-to-right processing bias*

**Description:** *In this research, we focused on two properties of call to action button: color (yellow or red) and position (right side or left side of website), and examined their effect on consumer's intention to click the button.*

## EXTENDED ABSTRACT

### Research Question

This research is focusing on a common feature shared by all e-retailing websites—add to cart button—and examining how the color and position of the button might influence consumer's click intention. For people in most cultures, processing information from left to right is more fluent than vice versa, due to the left-to-right reading habit. Accordingly, consumers will browse website more smoothly and fluently when the product information is placed on the left side while the add to cart button is on the right side of the website, comparing with that when the order is reversed. When web processing is smooth and fluent (i.e., add to cart button on the right), the evaluative effect or the referential meaning of color is dominating. Since yellow color is evaluated more favorable than red color, yellow colored button should promote more click intention than red colored one. On the other side, when website browsing is more cognitively effortful (i.e., add to cart button on the left), the arousal effect or the embodied meaning of color becomes salient. Since red is more activating and arousing than yellow, red colored add to cart button should promote more click intention than yellow colored one.

### Method and Data

We employed laboratory based experiment methods to test our hypothesis. Study 1 is a 2 color (yellow vs. red)  $\times$  2 position (left vs. right) between subject design. We recruited 240 participants from amazon mechanical turk. At the beginning, participants were asked to imagine shopping online for a laptop computer. On the next page, they were presented with a screenshot captured from a fictitious shopping website.

The color and the position of add to cart button varied across conditions. After reviewing the website, participants were asked whether they would like to click the button (1: “yes”; 0: “no”), as the main dependent variable measurement.

We proposed two more studies to be conducted in the future. We would like to see whether the effect still hold for the other call to action buttons (e.g., “Add to wishlist,” “More information”). In study 2, we used two new buttons: “Start 30-day free trial” embedded in the “internet TV service” banner ad, and “Get more information” in the “traveling to Alaska” ad. In addition, we also included “processing fluency” measurement, the mediator we proposed. In study 3, we investigated the role of cognitive capacity, which was proposed as the moderator.

### Summary of Findings

In study 1, we got 237 valid responses, after removing 3 participants who spent extremely short time answering questions. Among those participants, there were more male ( $N = 140$ ) than female ( $N = 97$ ). They were aged between 18 and 68 (Min = 18, Max = 68), with average age of 32.4 (Mean = 32.4). ANOVA was used to investigate the interactive effect of color and position. The main effect of color and position on button click intention is significant ( $F = 7.04$ ,  $p = .03$ ). Specifically, we found that when the add to cart button was placed on the right side, yellow colored button promoted click intention more than red colored button did (45.0% vs. 29.5%, ). In contrast, when add to cart button was placed on the left side, yellow colored button promoted click intention less than red colored button did (19.6% vs. 41.0%).

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In summary, study 1 provides preliminary support to the color and position effect of add to cart button. Study 2 and study 3 are expected to increase the generalizability, and also reveal the underlying mechanism and condition of the effect. They are now both in the data collection process.

### **Key Contributions**

Website design is one of the critical factors that influence consumer's online shopping experience. Understanding the influence of website elements on online shopping is imperative but challenging. In this research, we investigated the impact of color and position of add to cart button on people's intention to click the button. To our best knowledge, this is the first research that examines the properties of add to cart button. Given the prevalence of add to cart button usage, our research has substantive importance to marketing managers:

if the e-retailers are using red colored add to cart button on their websites (e.g., Target.com), probably it is better to place the button on the left side of the website.

Our research also contributed to psychological color literature in two ways. Previous research on color normally did not distinguish between yellow and red. They were both termed as "warm color" and normally studied together. In this research, we found that the effect of yellow and red could be different over the evaluative and arousal dimensions. In addition, our research provided empirical evidence to the embodied and referential meaning of color, which has never been examined systematically and empirically in previous literature.

*References are available on request.*

# Restrictive Product Return Policies: Understanding the Impact of Consumers' Expectation of Control on Consumer Reactance and Reactance-Related Outcomes

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*M. Ali Ülkü, Dalhousie University*

**Keywords:** *product return policies, restricting returns, psychological reactance, experiment*

**Description:** *This paper extends the product returns literature by utilizing the theory of psychological reactance to test the impact of restrictive return policies on consumers.*

## EXTENDED ABSTRACT

### Research Question

How and why do restrictive Product Return Policies (PRPs) affect consumers and what role does expectation of return control and involvement have on consumers when returns are restricted? The following hypotheses, which were derived from the theory of psychological reactance, were developed and tested to assist in answering these research questions.

H1: When product returns are restricted, higher expectations of return control compared to lower expectations increase reactance (a) anger and (b) negative cognitions as well as reactance-related outcomes (c) negative attitudes, (d) increased intentions to ask for exception to PRP, (e) lower repatriation intentions, (f) increased intention to spread negative word-of-mouth, (g) increased intentions to argue aggressively with retailer personnel, and (h) increased intention for future fraudulent returns.

H2: When returns are restricted during the return process and consumers have a high expectation of return control, higher levels of reactance and reactance related outcomes (a–h above) will occur when returning higher rather than lower priced products.

### Method and Data

To test the hypotheses, an experiment with a 2 (high vs low expectation of return control) x 2 (high vs. low situational involvement) factorial design was utilized. 120 participants read one of four scenarios which described the attempted return of a product that was denied under the various manipulations. Participants responded to a questionnaire which checked the manipulations and measured the dependent variables and covariate.

### Summary of Findings

Hypotheses 1a–h were each significant. This finding suggests that retailers can mitigate or possibly even avoid reactance and its negative outcomes, even with highly restrictive product return policies, by setting realistic return control expectations prior to purchase.

Hypotheses 2a–g were significant. These findings suggest an interaction between expectation and involvement. Simple effect tests show that (i) expectation of return control plays a critical role in whether or not customers experience reactance and its negative outcomes when they are denied a return, and (ii) there is no statistically significant difference on most of the tested outcomes in being denied the return of

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a \$500 product compared to a \$5 product when consumers have high expectations of being able to return the product. Interestingly, this difference does exist when customers have low expectations of being able to return the product. This is a counterintuitive finding. One would expect a difference under both conditions. Essentially, mispending \$500 creates similar outcomes to mispending \$5 when consumers expect to be able to make the return and are denied. This finding further emphasizes how important it is for retailers to set realistic return control expectations prior to purchase.

### **Key Contributions**

Restrictive PRPs create significantly higher levels of consumers' reactance and associated negative outcomes for retailers when consumers have high expectations as opposed to low expectations of successfully returning a product and are denied. Counterintuitively, the impact that expectation of control has on consumers' reactance and its negative outco-

mes is so strong that being denied the return of a high priced product is statistically the same as being denied the return of a low priced product when consumers expect to be able to return the these products and are denied.

The verified manipulations in this experiment show that the expectation of being able to return a product can be created by customers having previously successfully returned a product to the retailer. Hence, the practice that many retailers implement of varying product return policies across product categories (e.g., Amazon's policy of only allowing returns of laptops that are "dead on arrival" but allowing 90 day returns on baby products) or across time (e.g., Amazon's more lenient holiday return policy compared to its regular return policy) is risky because customers' prior success returning a product under a more lenient policy sets a similar expectation for future return control.

*References are available on request.*

# Managing the Necessary Evil: Can Payment Methods Reduce Product Returns?

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*Lena Feider, University of Wuppertal*

**Keywords:** *product returns, payment methods, online retailing, matching*

## EXTENDED ABSTRACT

### Research Question

Product returns are widespread, costly, and prominent for many online retailers. But there is no simple tactic for online retailers to deal with product returns, as stricter return policies harm the customer–firm relationship and lenient policies lead to high return costs. This study proposes that payment methods offer an important driver of product returns, thereby offering a fresh perspective on effective product return management techniques. Payment method research establishes that the timing of payment (i.e., before or after consumption) invokes different perceptions of benefits and costs. Therefore, and in line with exchange theory, we argue that customers perceive a higher net value from keeping the product when they pay before the product is delivered (e.g., by direct debit), because they develop stronger feelings of psychological ownership and lower perceived effort associated with keeping the product. In contrast, keeping the product may seem more costly if the payment is incomplete when the order gets delivered (e.g., paying by invoice). Therefore, customers paying after delivery may reveal a higher return likelihood than customers who pay before the delivery.

### Method and Data

Using a multimethod approach, we establish payment methods as an effective unaddressed tool for reducing product returns. First, we analyzed behavioral data from 13,921 customers from a large fashion and accessory online retailer to test the direct effect of payment method on return behavior as well as the moderating role of a shipping fee. As a simple comparison of behavioral data of customers using a payment method that requires payment before order delivery with

those using a payment method that requires payment after order delivery is problematic due to self-selection effects, we use statistical matching.

Second, we conducted a laboratory experiment to replicate the results and to examine the role of the psychological constructs psychological ownership and perceived effort which we theoretically identified as mediators of the relationship between payment method and product returns. We used a 2 x 2 between-subject design and manipulated the payment method (before versus after order delivery) and shipping costs (fee versus free) on two levels. A fictitious apparel online retailer provided the setting for this study. For analyzing the mediated relationships between payment method and product returns, we used PROCESS analysis.

### Summary of Findings

Using a quasiexperimental matching design, we empirically demonstrate that payment before order delivery reduces product return rates by 8% compared with payment after order delivery. Then in the laboratory experiment, we replicate these results, with 7% lower return intention rates for customers who paid before delivery. Moreover, we empirically confirm that psychological ownership and perceived effort provide underlying mechanism that determine the effect of payment method on return behavior. If customers pay before they receive the product, they experience stronger feelings of psychological ownership and anticipate lower perceived effort to keep it, resulting in a decrease in customers' product return behavior. Both studies further confirm that the effect of payment methods on customers'

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product return likelihood is context specific, and it vanishes when retailers charge shipping fees. Post hoc test results indicate though that the repurchase behaviors of customers who have chosen to pay before or after delivery do not differ, so these payment methods exert no negative influence on the customer–firm relationship, unlike most other return-reducing instruments.

### **Key Contributions**

Our research makes two main contributions. First, results indicate that online retailers should leverage the potential benefits of designing payment methods to affect customers' product return behavior, without directly restricting their opportunity to return. Small reductions in return rates have been shown to lead to large cost savings, so our findings offer important insights for online retailers' return management. Second, we provide new insights into the effects of online payment methods on customer behavior. Traditional

payment methods and their influences on customers' spending and consumption behavior have been researched extensively in brick-and-mortar settings, but to the best of our knowledge, no research focuses on the increasingly important topic of online payment and its associated challenges. The specific characteristics of online payments—including the temporal separation of paying for and receiving the product, as well as the lack of a cash payment option—invoke psychological mechanisms that differ from those at play in the offline environment. With this study, we theoretically and empirically show that the return-reducing effect of payment before order delivery stems from two underlying psychological mechanisms, namely, the experienced level of psychological ownership and the perceived effort of keeping the product. These mechanisms are specific to the online context and have been neglected in prior payment research.

*References are available on request.*

# Caution: How Product Returns Can Detour Omnichannel Strategies

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*Donna F. Davis, University of South Florida*

**Keywords:** *Complex Adaptive Systems Theory, product returns, omnichannel, Grounded Theory*

**Description:** *The current research applies complex adaptive systems theory to the product return context to understand why firms have difficulty adopting omnichannel strategies.*

## EXTENDED ABSTRACT

### Research Question

Why are product returns a major roadblock in an omnichannel strategy?

### Method and Data

We use a grounded theory methodology to extract key ideas from our raw data to build a substantive theory. Our substantive theory describes the key components and relationships in managing product returns. To identify the key components and relationships, we draw from Complex Adaptive Systems (CAS) theory (Holland 1992; 1995), and we look for elements of CAS theory in our data. We utilize the constant comparison analysis method, where the researcher works in iterations of comparing concepts and codes to literature insights and other data to build a substantive theory (Charmaz 2014; Glaser and Strauss 1999). We use NVivo 10 to perform the analysis.

The raw data for this study consists of in-depth interviews conducted with managers who oversee some or all aspects of managing product returns at their companies. Additional data sources include researcher observations of distribution facilities and information published online by each company. In total, this grounded theory analysis relies upon 56 pages of single-spaced text transcriptions of the in-depth interviews, an additional 21 pages of recorded researcher observations, and published information gathered from websites, all of which were systematically coded and analyzed. We reached a point of theoretical saturation after nine interviews.

### Summary of Findings

The results indicate that product returns create roadblocks as companies fuse channels because of the complex nature of

the systems required to process product returns. Product return systems exhibit the properties of complex adaptive systems, containing multiple important components that interact together in numerous ways. The components of product return systems identified include the employee responsible for making decisions about a return, the company's capabilities to process and communicate about a return, the information system used to manage information about a return, the quality of the company's climate surrounding product returns, and the effectiveness of customer service in screening product returns. These five important components interact to keep the product return system running at a healthy level. Because of the interactive nature of a product return system, changes to the system must be made in smaller steps than with a less complex system.

The complex, adaptive nature of product return systems explains, in part, why product returns can derail the fusion of channels required in an omnichannel strategy. Product return systems are difficult to set up initially because of the required components, and once set up, making quick changes to these systems is risky because of the interactions that must take place.

### Key Contributions

This research contributes theoretically to the supply chain domain by utilizing grounded-theory analysis to develop a theory of product returns management in the omnichannel context. Our theory identifies the key components of a product return system and describes the interactions that occur within a product return system. Many of these interactions warrant further research to gain deeper insight on how to

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avoid roadblocks when merging channels to form omnichannels. We find sufficient evidence of the key components and interactions to conclude that product return systems are complex adaptive systems. Other researchers have established the applicability of complex adaptive systems theory to the supply chain overall (Choi, Dooley, and Rungtusanatham 2001), but we show CAS theory can also be suc-

cessfully applied to understand supply chain phenomena. Going forward, CAS theory can be applied to more aspects of supply chain management. For example, CAS theory can be applied to sustainable supply chain behaviors to understand what makes those behaviors complex.

*References are available on request.*

# Value in Use of Customer Solutions: The Customer's Perspective in the Context of Electric Mobility

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## ABSTRACT

Guided by a literature review and a two-step exploratory analysis, the authors develop a conceptualization of perceived value in use of customer solutions. Following this, a quantitative study (n = 507) provides empirical evidence of the higher-order conceptualization of perceived value in use of customer solutions in the context of electric mobility.

**Keywords:** *customer perceived value, value in use, customer solutions, electric mobility*

**Description:** *This study extends the work on customer perceived value in use by developing and empirically testing a conceptualization of customer perceived value in use of customer solutions in the context of electric mobility.*

## Introduction

Customer solutions are widely recognized as a promising opportunity to gain competitive advantages in B2B markets, but they have also received attention in the B2C sector (Epp and Price 2011). Several different definitions of customer solutions exist (e.g., Evanschitzky, Wangenheim, and Woisetschläger 2011), thus necessitating a clearer understanding of their meaning: In general, customer solutions are an integrated combination of goods and services designed to solve an individual customer problem (e.g., Sawhney 2006). One potential field of application for these complex offerings in the B2C sector is the context of electric mobility (Cherubini, Iasevoli, and Michellini 2015). According to research on the adoption of electric cars, the integration of complementary mobility services helps compensate for the perceived disadvantages of electric cars while creating added value. Accordingly, we define customer solutions in the context of electric mobility (e-mobility solutions) as an integrated combination of an electric car and complementary mobility services designed to solve customers' individual mobility problems.

The relational processes during which the solution provider integrates goods, service, and knowledge components into customized combinations that solve the individual cus-

tomers' problem manifest themselves in customers' perceived value in use (Storbacka 2011; Tuli, Kohli, and Bharadwaj 2007). Thus, it is crucial for customer solutions to offer high value in use for customers to achieve competitive objectives. Relying on the service-dominant logic (Vargo and Lusch 2004) and in line with various authors in the field of value cocreation (e.g., Cronin, Brady, and Hult 2000; Eggert and Ulaga 2006), we assume that customers' value in use represents the net benefits they receive during the usage process of the customer solution. As such, value as value in use cannot exist before it is created from the usage process (Grönroos and Voima 2013). Moreover, and in line with MacDonald et al. (2011) and MacDonald, Kleinaltenkamp, and Wilson (2016), we argue that value in use represents customer perceived outcomes, arising from using the integrated products and services in the solution, that have a positive or negative impact on the achievement of customers' objectives, which is to solve their individual problems. Research that explicitly investigates perceived value in use is rather scarce. Moreover, current studies on customer perceived value in use are predominantly conceptual or exploratory (e.g., Gummerus and Pihlström 2011; MacDonald et al. 2011) and hardly focus on the positive and negative aspects. Regarding research on customer solutions, studies have mainly focused on different aspects

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from a provider perspective in the B2B context (e.g., Davies, Brady, and Hobday 2007). Thus, little is known about the value that customer solutions provide to customers during the usage process. To our knowledge, the only exception is MacDonald, Kleinaltenkamp, and Wilson's (2016) study, which employs qualitative research methods to examine customer perceived value in use of customer solutions in a B2B context. That study empirically addresses the open question of how customers value the use of customer solutions in the B2C context. Building on these issues, the aim of the current study is to conceptualize and empirically validate customer perceived value in use of customer solutions in the context of electric mobility. We make two main contributions to research on perceived value in use and customer solutions in B2C contexts. First, our work expands knowledge on customers' evaluations of the usage processes of customer solutions in B2C contexts by identifying benefit and cost components. Second, we provide empirical evidence of a reflective first-order and formative second-order conceptualization of perceived value in use. Next, we present the methodology and the findings of our triangular research design. The paper concludes with theoretical and practical implications as well as limitations and future research directions.

## Conceptualization of Perceived Value in Use of Customer Solutions

Following Zeithaml's (1998) trade-off model and according to our net benefit understanding of value, we weigh customers' perceptions of the benefits received against the (monetary and nonmonetary) costs incurred in the usage process of the customer solution with regard to the usage of the electric car and complementary mobility services organized by customers themselves. Thus, we define perceived benefits as the positive value created by the customer as value in use, whereas perceived costs are the negative value (Plewa, Sweeney, and Michayluk 2015). In line with recent studies (Graf and Maas 2008), we take a multidimensional approach and suggest a reflective first-order and formative second-order conceptualization of perceived value in use of customer solutions (Diamantopoulos, Riefler, and Roth 2008). Moreover, we assume a third-order structure of perceived value in use of customer solutions resulting from the perceived benefits and costs (Yi and Gong 2013). With the findings from a literature review on customer perceived value and perceived value in use, customer solutions, mobility behavior, and the adoption of electric cars, we identify seven benefit components of perceived value in use of customer solutions (see Table 1):

**Table 1.** Benefit Components of Customer Perceived Value in Use of e-Mobility Solutions

<b>Benefit Components</b>	<b>Definition</b>
<b>Perceived functional benefits</b>	Benefits derived from the e-mobility solution's ability to perform its functional and utilitarian purpose: ensuring customers' individual mobility
<b>Perceived emotional benefits</b>	Benefits derived from the e-mobility solution's ability to arouse feelings or affective states: The e-mobility solution reduces perceived uncertainties and range anxiety and therefore lowers emotional costs
<b>Perceived social benefits</b>	Benefits derived from the e-mobility solution's ability to enhance customers' image in social groups
<b>Perceived epistemic benefits</b>	Benefits derived from the e-mobility solution's ability to arouse curiosity, provide novelty, and/or satisfy a desire for knowledge
<b>Perceived convenience benefits</b>	Benefits derived from the ease and speed of using the e-mobility solution effectively and efficiently, saving time and effort
<b>Perceived autonomy benefits</b>	Benefits derived from the e-mobility solution's ability to ensure customer perceived flexibility and independence by using the electric car
<b>Perceived environmental benefits</b>	Benefits derived from the e-mobility solution's low impact on the environment.

We found perceived functional, emotional, social, epistemic, and convenience benefits as context-free value components. In addition, customer perceived autonomy and perceived environmental benefits constitute context-dependent benefit components: In comparison with the context-free components, these components are only valid in the case of customer solutions in the context of electric mobility. Moreover, we identified three cost components that are independent of a special customer solution context (see Table 2).

### Study 1: Exploratory Analysis of Perceived Value in Use of Customer Solutions in the Context of Electric Mobility

Guided by the findings from the literature review, we followed a two-step approach in the exploratory study to supplement our conceptual findings. First, we conducted semi-

structured interviews with 6 automotive dealers, 21 customers, and 5 electric car drivers. To ensure a comprehensive analysis, all interviews were recorded and transcribed, resulting in a total transcript of 260 single-spaced A4 pages as well as 12 hours and 43 minutes of conversation. Second, we examined 13 relevant online communities and blogs by employing netnography, a qualitative research method (Kozinets 2002). The coding scheme was deductively developed and inductively refined. The data analysis followed a combination of conventional and directed content analyses by using the qualitative data analysis software MAXQDA (Hsieh and Shannon 2005). The subsequent test of inter-coder reliability exceeded the recommended value of .7 (Rust and Cooil 1994). The results of the explorative analysis confirm the existence of the seven benefit components (see Table 3).

**Table 2.** Cost Components of Customer Perceived Value in Use of e-Mobility Solutions

Cost Components	Definition
Perceived risk of usage functionality	Costs derived from the uncertainty in whether the e-mobility solution performs as expected and thus satisfies customer needs
Perceived monetary usage risk	Costs derived from perceived uncertainties due to rising costs during the usage of the e-mobility solution
Perceived additional (temporal and cognitive) usage effort	Costs derived from the time and effort a customer must invest when using the e-mobility solution

**Table 3.** Explorative Findings on Benefit Components of Perceived Value in Use of e-Mobility Solutions

Benefit Components	Identified Quotes from Interviews (n = 19)	Identified Quotes from Netnography (n = 44)
Perceived functional benefits	15.79% (3)	22.72% (10)
Perceived emotional benefits	10.53% (2)	9.09% (4)
Perceived social benefits	0% (0)	6.82% (3)
Perceived epistemic benefits	5.26% (1)	0% (0)
Perceived convenience benefits	15.73% (3)	40.91% (18)
Perceived autonomy benefits	31.58% (6)	15.91% (7)
Perceived environmental benefits	21.05% (4)	4.55% (2)

The explorative findings show that perceived convenience benefits were most frequently mentioned in the analyzed data from relevant online communities and blogs. The following quote regarding an already-existing complementary mobility offer in the context of electric mobility gives an example of this benefit component:

I used the complementary mobility offer a few times. For me it was also a reason to buy the eGolf. You may get every car model of VW.... There is no entitlement to a certain model. It is only an additional offer. However, I like it and it is very easy. (goingelectric.de, VW eGolf, Ergänzungsmobilität-Änderung VW)

Moreover, perceived autonomy benefits were most frequently mentioned in the interviews, as is exemplarily shown in the following quote:

The complementary mobility offer was also a reason for me to get myself into this adventure, because if I would face some problems I would be able to get a rental car from my automotive dealer in order to go anywhere I want to and therefore solve the problem concerning limited range. (male electric car driver, 50 years)

The explorative findings also confirm the existence of the three cost components (see Table 4). Regarding the costs, the findings from both the interviews and netnography show that perceived risk of usage functionality was most frequently mentioned. The following quote gives an example of this:

It is important to have the opportunity to change and not to be committed to anything [a certain offer]. It has to be a wide range of offers. And, as I said before, it is definitely important that my personal customer adviser organizes it all. How this would be possible and to what extent this would be possible for every single customer is rather doubtful. (male electric car driver, 50 years)

## Study 2: Methodology and Findings

To confirm the conceptualization of perceived value in use of customer solutions, we conducted a quantitative study using a standardized questionnaire. From the literature review and the qualitative study, we identified, adapted, and refined established scales for the measurement of the constructs to the research context. The questionnaire was based on a scenario to ensure an efficient and effective process of data collection (Kumar and Krishnamurthy 2008). The scenario invited respondents to detail their thoughts in a situation in which they planned to buy an electric car. In this situation, a friend reports about his experiences with his e-mobility solution. After hearing about how an individual e-mobility solution could be organized, the respondents then answered items according to the evaluation of such an offer in reference to a do-it-yourself option. In a pilot study, we pretested the questionnaire with a small sample of the target group ( $n = 7$ ), followed by minor revisions. For the purpose of the final data collection, we used a quota-sampling strategy (e.g., Barrutia and Gilsanz 2013) and an online survey design (e.g., Tokman, Davis, and Lemon 2007). In total, we recruited 507 individuals. We accepted only completely filled-out questionnaires ( $n = 507$ ), so the data contain no missing values. Moreover, the study examined possible common method bias effects by employing Harman's single-factor test (Podsakoff et al. 2003) as well as the latent marker variable approach (Chin et al. 2013).

We used PLS-SEM (Ringle, Wende, and Becker 2015) to evaluate the measures and to estimate the structural equation model. In line with research using PLS-SEM, indicator and construct reliability, as well as discriminant and convergent validity, served to evaluate the reflective constructs in the model (Hair et al. 2012). The measures employed in our study performed well: All indicator loadings reach at least a value of .7, the composite reliabilities and Cronbach's alphas are above the threshold value of .7, and the average variance extracted (AVE) values exceed the recommended value of

**Table 4.** Explorative Findings on Cost Components of Perceived Value in Use of e-Mobility Solutions

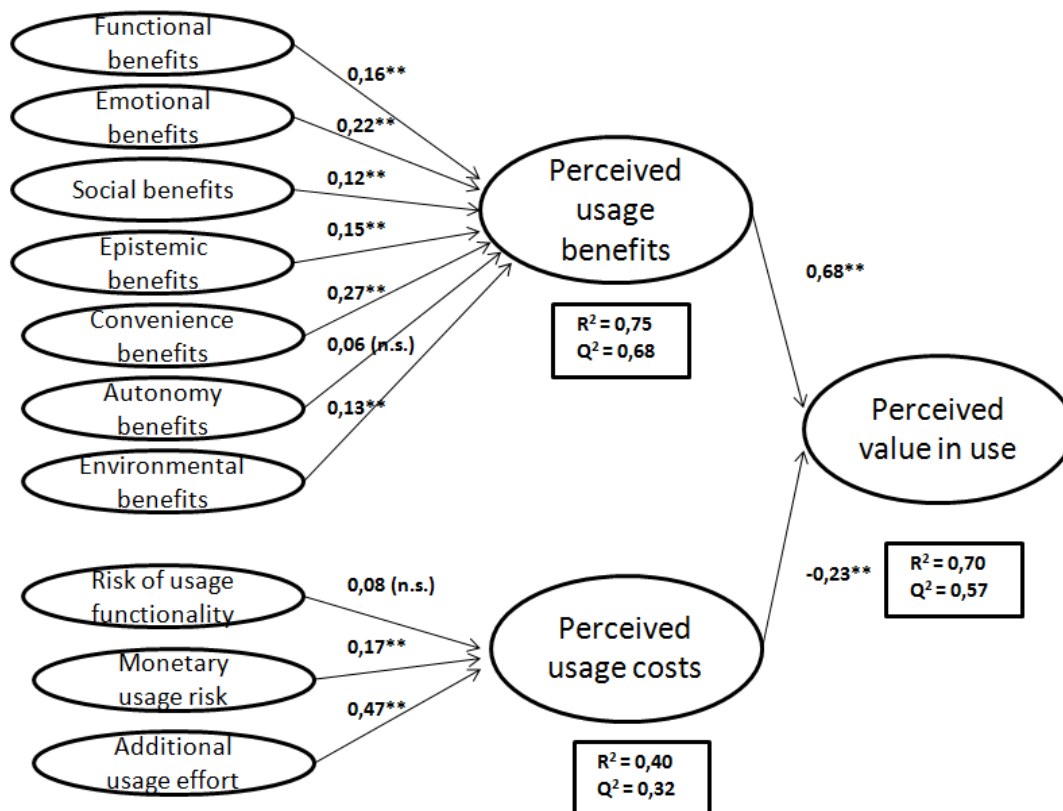
Cost Components	Identified Quotes from Interviews (n = 13)	Identified Quotes from Netnography (n = 43)
Perceived risk of usage functionality	53,84% (7)	44,19% (19)
Perceived monetary risk	23,08% (3)	44,19% (19)
Perceived additional (temporal and cognitive) usage effort	23,08% (3)	11,62% (5)



.5. In addition, we establish discriminant validity in three steps. First, the square root of each construct's AVE is higher than the correlations with the other constructs, thus meeting Fornell and Larcker's (1981) criterion. Second, examination of the cross-loadings show that each indicator loads highest on the construct it is intended to measure. Third, we use the new HTMT criterion to provide discriminant validity. All values range between .043 and .842 and are below the HTMT<sub>.85</sub> threshold (Henseler, Ringle, and Sarstedt 2015). To examine the validity of the formative conceptualization of perceived value in use, we used the MIMIC (multiple indicators multiple causes) approach (Jöreskog and Goldberger 1975). By employing the reflective first-order and formative second-order conceptualization of perceived value in use, we measured the second-order constructs and the third-order construct with reflective items to ensure that they are identified on their own (Diamantopoulos 2011). For the measurement of perceived value in use, we adapted and refined items from Cronin, Brady, and Hult (2000) and measured the construct with a three-item scale (e.g., "Overall, the value of using the electric mobility solution to me is

high"). As there are no established scales to measure perceived usage benefits or perceived usage costs, we developed items for this research context. We measured both constructs with a two-item scale ("Altogether, the usage of the electric mobility solution brings along many advantages/disadvantages" and "By considering all advantages/disadvantages, I evaluate the usage of the electric mobility solution very positive/negative"). Figure 1 shows that the majority of benefit and cost components have significant path coefficients, for which emotional and convenience benefits and additional usage effort are of high relevance. Thus, the results of the quantitative study confirm that customer perceived functional, social, emotional, and epistemic benefits, as well as perceived convenience and environmental benefits, are relevant benefit components of perceived value in use of customer solutions in the context of electric mobility. Moreover, customer perceived monetary usage risk and perceived additional usage effort are relevant cost components. However, perceived autonomy benefits and perceived risk of usage functionality do not provide significant path coefficients, which is contrary to the findings from the literature

**Figure 1.** Results of the Validation of the Conceptualization of Perceived Value in Use of e-Mobility Solutions (MIMIC Approach)



\*p < 0,05; \*\*p < 0,01

review and the qualitative study. Overall, the formative higher-order conceptualization of perceived value in use of customer solutions is confirmed.

## Conclusions

We provide empirical evidence of a reflective first-order and formative second-order conceptualization of perceived value in use. As the measurement of all constructs focuses on customers' usage processes, this study captures customer perceived value in use in a concrete manner. Moreover, our quantitative findings show that perceived value in use includes both benefits and costs. This is in line with the understanding of other research on customer perceived value (e.g., Gipp, Kalafatis, and Ledden 2008; Plewa, Sweeney, and Michayluk 2015). In addition, this study provides new methodical insights into research on customer perceived value in use according to the service-dominant logic value creation spheres framework, as we applied netnography as an additional qualitative research method. Using qualitative and quantitative methods, this research aimed to enhance the understanding of perceived value in use of customer solutions in B2C contexts. In comparison with value concepts referring to the conventional usage of products or services, the usage of an integrated combination of products and complementary services leads to the perception of additional value components. These refer to situations in which customers do not need to worry about the usage of the customer solution, as the solution provider organizes all aspects of the usage process of the customer solution. The measurement of perceived value in use of customer solutions takes this issue into account, as, for example, perceived convenience benefits, derived from the ease and speed of using the customer solution, are of high relevance.

This study demonstrates that customers perceive various benefits and costs from using e-mobility solutions, in which convenience and emotional benefits as well as additional usage effort show high relevance. Solution providers must address this by encouraging customers' perceived benefits by simultaneously reducing the perceived costs during the usage process (Weiber, Hörstrup, and Mühlhaus 2011). Innovative services as important elements of the e-mobility solution have a high potential to address this issue. One example is the offer of home services to increase perceived convenience benefits and to reduce perceived additional usage effort. Furthermore, provider networks are crucial to be able to offer complementary mobility services as an integrated offering that customers perceive as easy to use and therefore that encourages perceived convenience benefits. Online services via on-board electronics or smartphones can also help capture customers' usage processes and offer complementary mobility services in real time to reduce perceived additional usage effort.

Although one limitation of this study is the context of electric mobility, we expect the findings also to be relevant to studies on perceived value in use in other B2C customer solution contexts. However, this is an aspect of future research directions. As the quantitative study is based on a scenario, we derived the results from expected usage rather than actual usage of the e-mobility solution. Thus, follow-up studies should be conducted as soon as e-mobility solutions are provided in practice. Finally, further research could focus on relevant antecedents of perceived value in use of e-mobility solutions to identify relevant target groups. Moreover, it would be worthwhile to examine behavioral consequences of perceived value in use to prove the economic importance of e-mobility solutions.

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# How Aesthetic Designs Shape Consumers' Product Usage Behavior

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**Keywords:** *product design, aesthetics, product usage, product loyalty*

**Description:** *Investigates the influence of design aesthetics on consumers' product usage behavior and product loyalty.*

## EXTENDED ABSTRACT

### Research Question

This research deals with the question how the aesthetic appeal of a product influences consumers once a purchase decision has been made. It is investigated how the usage of a product is affected by its visual appearance and what the long-term consequences of such usage patterns might be. Specifically, we address the question whether aesthetic designs stimulate consumption and whether this may affect customers' degree of product loyalty. Furthermore, we examine whether there may be limits to the influence of aesthetic designs on consumers' product usage.

### Method and Data

Three experiments have been conducted. The results were analyzed by means of t-tests, ANOVA's and regression analyses.

### Summary of Findings

We find that the aesthetic appeal of products has a significant influence on consumers' product usage behavior. Specifi-

cally, aesthetic designs stimulate a product's usage and thereby promote product loyalty. However, we also identify an important boundary condition to these effects.

### Key Contributions

We contribute to three streams of research. First, we advance knowledge on design aesthetics by revealing previously unknown effects that aesthetic designs have on people's product usage behavior. In this context, we also identify the underlying psychological process of these effects. Secondly, we contribute to research on hedonic consumption by highlighting its strong linkage to design aesthetics and by emphasizing the important role of emotions in consumption. Lastly, we add to the literature on product loyalty by identifying a previously unknown antecedent of consumers' product fidelity. In addition to these theoretical implications, our research also holds valuable implications for practice which are discussed in the paper.

*References are available on request.*

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# The Augmented Value-Creation Logic in Product Service Systems

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**Keywords:** *product service systems, sharing economy, value, stockouts*

**Description:** *This paper suggests a new, reconciling-augmented value-creation logic in PSS that builds on findings within the service literature, including the service-dominant logic and servitization as well as beyond this field, namely access based consumption and the sharing paradigm.*

## EXTENDED ABSTRACT

Product Service Systems (PSS) combine tangible products and intangible services to fulfill specific customer needs. So-called use-oriented PSS are one category within the PSS classification, for which the product remains in legal ownership of the provider who gives access to the product function either through leasing, pooling or sharing. In use-oriented PSS through sharing, customers pay for short-term access to the product and different consumers use it sequentially, while the provider is responsible for its maintenance, repair and control. The PSS literature states that not the product itself, but its function creates value for the customer and that customers often refrain from participating in PSS, because PSS offer less intangible value than the competing purchased product. The present research applies the PSS nomenclature to current research findings on the sharing economy in order to reveal that the discussion on value and value creation in PSS is more complex than previously assumed and it offers a new conceptual lens to handle the complexity.

### Research Question

Product Service Systems (PSS) combine tangible products and intangible services to fulfill specific customer needs. The PSS concept proclaims that not the product itself, but its function creates value for the customer. Up to now the current PSS literature argues that in most cases PSS offer less intangible value for the customer, particular in the B2C context, and that PSS are often less accessible than the competing purchased product. This research here questions these assumptions and initiates a theoretical discussion and an empirical analysis on what value itself and value creation in

PSS mean. Thereby we focus on use-oriented PSS through sharing, which is one category within the PSS classification.

### Method and Data

We collected data of 321 German consumers via an online survey. The mean age of the respondents is 31.0 years (SD = 11.0) and 65.1 % of the respondents are female. We surveyed respondents with different levels of education (middle school: 7.5%; high school diploma: 29.6%; associate degree: 8.1%; bachelor/master degree: 48.3%, doctoral degree: 6.5%). We conduct ANOVA, OLS regression and moderation analyses to empirically analyze what creates value in PSS.

### Summary of Findings

We introduce the augmented value creation logic of PSS. In detail we found out the following: First, this study provides empirical support that PSS creates value-in-use propositions by adding tangible and intangible value to the integrated product and service offer. Customers attach tangible value to a PSS's offer, if it actually substitutes ownership. A PSS lacks on tangible value, if it is more complementary than substitutional. Customers' need for socializing is one main reason why they attach intangible value to a PSS' added social value. Their need for socializing is the sum of different needs and motives like belonging, attaining approval by reference groups and acquiring and keeping friendship.

Second, a PSS' value-in-use decreases through customer's uncertainty about access due to perceived stockouts and due to transaction costs. Access is a main intangible value of PSS

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and the interaction between perceived stockout risk and own usage predictability threaten this intangible value. Besides, transactions costs decrease the value-in-use propositions of PSS. This research here reveals that in PSS transaction costs refer to search costs, technical costs and sunk costs.

### **Key Contributions**

This research here chooses a quantitative, customer oriented approach to analyze what creates value in use-oriented PSS. It delivers a new normative tool to understand value in PSS, namely the augmented value creation logic in

PSS. Based on this normative tool we found out that a PSS is the result of a servitization process that offers value-in-use propositions. These value-in-use propositions are created by combining products and services and adding tangible and intangible value. Customer's uncertainty in regarding to a provider's ability to offer access threaten the value-in-use of a use-oriented PSS. Furthermore we reveal that transaction costs through sharing decreases a PSS' value-in-use proposition.

*References are available on request.*

# To Share Desirability or Feasibility? Examining the Effects and Mechanism of Direct and Indirect Use Experiences on Sharing

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**Keywords:** *direct and indirect experience, sharing, desirability and feasibility, mental simulation, Construal Theory*

**Description:** *This research explores the asymmetrical effects of the direct and indirect use experiences on the sharing content (desirability and feasibility) and the underlying mechanism.*

## EXTENDED ABSTRACT

### Research Question

When individuals consult social media for reviews to help them choose a product, they can often see both direct and indirect experience sharing online. However, previous research has focused largely on the role of a customer's direct experience, neglecting customer's indirect experience. Recent research has begun to bridge this gap, showing that indirect experience can influence product evaluation and product preferences (e.g., Hamilton and Thompson, 2007; Dube and Helkkula, 2015). Following this research stream, in this paper, we attempt to investigate whether and how direct and indirect use experiences influence customers' sharing online content of desirability and feasibility. Furthermore, we explore how mental simulation mediates and mental construal moderates the effect of use experience on sharing content.

### Method and Data

Four studies were conducted to examine the effects of direct and indirect use experiences on customers' sharing online content. Study 1 builds on a secondary dataset from an online platform. 343 useful sharing samples were collected and then analyzed by expert judges. Study 2 employs experimental design by assigning 83 undergraduate students to direct and indirect experience groups. Then subjects were

asked to share their feelings of direct or indirect experience and then make a preference choice decision between desirability content and feasibility content. We also measure outcome simulation and process simulation as potential mediators. Study 3 attempts to replicate Study 2 by using a new product ( $n = 76$ ) and explore whether construal level is the mechanism behind the sharing preference. Study 4 is to test whether inducing either a high-level (abstract) construal or a low-level (concrete) construal prior to experiencing a product would remove or attenuate the significant difference between the direct and indirect use experience on a customer's sharing preference. A 2 (direct vs. indirect experience)  $\times$  3 (construal levels: abstract vs. concrete vs. control) between-subjects design was employed. 220 undergraduate students participated in the study.

### Summary of Findings

Study 1 demonstrates that individuals having a direct use experience with a product are more likely to share the product's feasibility, and those having an indirect use experience are more likely to share its desirability. Studies 2 and 3 reveal the mechanism underlying the asymmetrical effects of the direct and indirect use experiences on sharing content. Direct experience with a product triggers more process simulation and thus increases the willingness to share the

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feasibility of a product. In contrast, indirect experience triggers more outcome simulation and increases the willingness to share a product's desirability. Study 4 shows that the asymmetrical effects of direct and indirect use experiences on sharing content can be attenuated by encouraging customers to think concretely or abstractly (mental construal) prior to product usage.

### **Key Contributions**

Our study makes important contributions to the existing marketing literature. First, it enriches the existing work in customer experience. Whereas prior research has focused mostly on the direct experience context, this research focuses on the indirect experience and compares its differential effect on sharing content with the direct experience,

which deepens the understanding of consumption or use experiences. Second, this study extends the literature on social sharing. Previous research on social sharing has focused on the willingness to share and has explored its antecedents and outcomes. This study divides sharing content into feasibility and desirability and reveals that direct and indirect experiences have a significant influence on sharing content. Finally, this study reveals the underlying process between experience and sharing content and adds to a perspective of Construal Level Theory by showing that direct and indirect contacts with a product can shift an individuals' construal level and affect mental simulation and sharing content.

*References are available on request.*

# Does Delivery Time Moderate the Effects of Vivid Product Images in Online Stores?

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**Keywords:** *Construal Level Theory, vividness, online shopping, temporal distance, mental imagery*

**Description:** *This paper uses the Construal Level Theory (CLT) as a way to explain how the shopper's perception of an online product can be affected by the delivery time and the product's digital representation in an online store.*

## EXTENDED ABSTRACT

### Research Question

Product images in online stores play a particularly important role: in contrast to brick-and-mortar stores, products in online stores cannot be “held in hand,” felt or tried out. This lack of sensory product experience continues to be a major deterrent to online purchasing (Yoo and Kim 2014). Products that are presented with higher sensory richness have a higher chance to be purchased (Müller 2013). Hence, especially in the context of online shopping studies show that a higher vividness is accompanied by a greater intention to buy (Steinmann et al. 2014). Astonishingly, most of the studies concerning the effect of vividness and mental imagery neglect a key feature of online commerce: the delivery time. This delivery time can be regarded as the shopper's temporal distance to the product. Construal Level Theory postulates that distance influences the shopper's construal level and therefore, their mental degree of abstraction (Trope et al. 2007). The present study aims to determine which role the temporal distance to a product plays (as determinant of the construal level) as far as the effect of product images with different vividness is concerned.

### Method and Data

We tested our hypotheses by means of a 2 x 2 between subject design with the factors vividness (low vs. high) and temporal distance (low vs. high) with N = 112 (n = 26–30 in each condition). We used manipulated screenshots of an online store for chocolate in all conditions. A detailed prod-

uct page of a bar of chocolate with the photograph of the chocolate bar (wrapped or unwrapped) and with a verbal description of the brand, the flavor and weight, the price plus shipping charges as well as of the delivery time (depending on the condition one or five days) was depicted.

The vividness of the product presentation was changed by the manipulation of the chocolate's photograph: in the low-vividness condition, the screenshot showed wrapped chocolate, a common way of how chocolate is presented in online shops. In the high-vividness condition, the same chocolate was presented in an unwrapped way. We manipulated the second factor, the construal level, by means of the temporal distance which was put to practice by different information concerning delivery time: we used the delivery times “next day” (low construal level) versus “in four to five days” (high construal level) (e.g., White et. al 2011).

### Summary of Findings

In our study, we examined the impact of the announced delivery times on the effect of the vividness of the product presentation. Whilst in many studies also in the context of online stores the advantages of a more vivid product presentation are emphasized, these results are normally based on only low temporal distances. Our results show that a high vividness especially has a positive effect on the attitude and the purchase behavior, if the announced delivery times—and hence

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the temporal distance—is low and vice versa. To clarify: a match between the informational content of the product presentation and the construal level has a positive effect on the attitude and the purchase behavior of the shoppers. What also speaks in favor of this assumption is the fact that temporal distance had no influence on the mental imagery: at all conditions, a high vividness led to concrete mental representations of the product and to more experienced mental imagery.

### **Key Contributions**

The findings of this paper contribute to a better understanding of the cognitive processes underlying the buying decision process and help define the conditions in which a more vivid or a more symbolic product presentation is more likely to be used in a shopping context.

*References are available on request.*

# Donations as a Service Recovery Strategy

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**Keywords:** *service failure, corporate social responsibility, regulatory focus*

**Description:** *This study examines how to include a company donation as an aspect of a service recovery effort.*

## EXTENDED ABSTRACT

### Research Question

How can donations be incorporated in the service recovery efforts?

### Method and Data

Each participant viewed a service failure scenario and then randomly viewed one of three possible compensations. The compensations were framed as either a discount, a discount and a promotion framed donation, or a discount and a prevention framed donation. The data is analyzed with a MANCOVA.

### Summary of Findings

Including a donation in the service recovery efforts leads to higher CSR perceptions. Perception of CSR does not differ because the message is framed as promotion or prevention

focused. However, this is not the case for repurchase intent. The prevention-oriented message led to higher repurchase intent than the promotion-oriented message.

### Key Contributions

This study examines whether a donation can be incorporated in the service recovery efforts. The hypotheses are tested with an experiment that manipulates the type of compensation offered. The results demonstrate that including donations in the service recovery efforts can enhance perceptions of CSR and repurchase intent. However, the effectiveness of donations is dependent on the framing of the CSR message. A donation that is framed as prevention focus leads to higher repurchase intent than promotion framed donations.

*References are available on request.*

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# Service Failure and Customer Loyalty: Testing the Boundary Conditions of the Service Recovery Paradox

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**Keywords:** *customer loyalty, service failure, complaint handling, service recovery paradox*

**Description:** *The Service Recovery Paradox only exists under certain conditions and for attitudinal, not behavioral, outcomes.*

## EXTENDED ABSTRACT

### Research Question

After more than 20 years of research on service recovery, marketing academics continue to provide differing conclusions regarding the existence of the service recovery paradox (SRP). This manuscript extends a rich body of research by addressing two research questions: (1) Does the Service Recovery Paradox (SRP) exist for behavioral outcomes? What are the boundary conditions for the SRP?

### Method and Data

By leveraging data from a large field study and an experimental investigation, we provide new insights into the SRP and demonstrate how the subtle differences in our results may have profound implications for marketing researchers as well as managers.

First, we undertake a field investigation where we compare posttransaction attitudes and, crucially, purchase behavior between a control group of customers who experienced a routine transaction and customers who experienced a failure and satisfactory recovery (study1).

Second, an advantage of experiments is the high internal validity that allows us to control the input and the output of an individual being involved in service recovery. By manipulating inputs and outcomes of an individual, we can test the

existence of the SRP under several input-outcome levels. In order to provide a controlled test of the effects of service recovery efforts we developed scenario-based experiments (study 2).

### Summary of Findings

First, we try finding evidence for the SRP when considering actual postrecovery behavior instead of behavioral intention. The results of the first study find no evidence for the SRP across behavioral measures.

Second, we identify important boundary conditions for the emergence of the SRP by demonstrating that the presence of the SRP is contingent upon (1) the severity of service failure and (2) the service recovery strategy. The SRP occurs at a low level of perceived failure severity and high levels of interactional and procedural justice for our two attitudinal measures, overall satisfaction and conative loyalty.

### Key Contributions

The key contributions of this research are twofold: we do not find a SRP for behavioral outcomes, but the SRP occurs when the failure was judged as not very severe and the company managed an excellent recovery, leading to high levels of interactional and procedural justice. While

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there is some evidence for the SRP, it seems that it only works at an attitudinal level and does not change behavior. Further, the SRP is by far not a common occurrence. Only when certain conditions are met, SRP happens. Therefore,

the clear implication for firms can only be to “make it right the first time.”

*References are available on request.*

# Too Much of a Good Thing? Examining Customer Response to Manufacturer-Brand Representatives in Retail Service Settings

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**Keywords:** *in-store retail service, manufacturer-brand representative, brand effort, brand identification, opportunism*

**Description:** *This research examines the extent to which customers' responses to a retail salesperson's brand effort, brand identification, and opportunism depend on whether the salesperson is a retailer employee or a manufacturer-brand representative.*

## EXTENDED ABSTRACT

### Research Question

The study addresses a set of interrelated questions: Do customers' responses to in-store retail service differ based on the type of salesperson encountered? More specifically, does the impact of a salesperson's brand effort or brand identification on customers' purchase intent and satisfaction depend on whether the salesperson is a manufacturer-brand representative or retailer employee? If the customer perceives that the salesperson is behaving opportunistically, does this diminish the impact of the salesperson's brand identification and is the diminishing effect more severe for a retailer employee or a manufacturer rep?

### Method and Data

The study examines the moderating effect of salesperson type on the impact of different aspects of in-store retail service on customer satisfaction and purchase intent. The research empirically tests a set of hypotheses using a multimethod approach linking a field study with an online experiment. In the field study, the authors examine data comprising 2,455 mystery shopper visits to specialty retailer and club/warehouse stores located throughout the United States over a six-month period. The findings from the field study are extended using an online experiment involving respondents from a national research panel. The experiment investigates how the effects of

brand identification and perceived opportunism on customer outcomes vary based on salesperson type.

### Summary of Findings

The findings indicate that customers' responses to in-store service differ in a number of ways. Brand effort by a retailer employee enhances key customer outcomes more strongly compared to the same effort by a manufacturer rep. Additional results suggest that perceived opportunism diminishes the effect a salesperson's brand identification on customer outcomes more strongly for a retailer employee than for a manufacturer rep.

### Key Contributions

The study offers important insights to help researchers and managers understand the relative effectiveness of retailer employees and manufacturer reps in retail service settings. The results suggest that investigations of the effectiveness of in-store service should consider the type of salesperson and the role of customer perceptions of opportunism. The findings can help retailers understand how to effectively integrate manufacturer reps to enhance in-store service, target salesperson effort toward a focal manufacturer brand, and mitigate customer perceptions of opportunism of retail salespeople.

*References are available on request.*

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# Part G

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# Is There No Time Like the Present? An Investigation of Hold Decisions in the Innovation Process

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**Keywords:** *innovation development, managerial decision making, ambiguity, regulatory focus, experimental research*

**Description:** *This study is the first to investigate the conditions under which managers put an innovation project on hold, taking into account the effects of ambiguity regarding project feedback, the degree of project completion, and a decision maker's regulatory focus.*

## EXTENDED ABSTRACT

### Research Question

Although managers have the choice to put an innovation project on hold for further consideration, prior research on project review decisions, for instance in the literature stream on escalation of commitment, has overlooked hold decisions. Holding a project could be particularly relevant when evidence is ambiguous, which means open to interpretation. Yet, the influence of ambiguous project feedback on decision making remains underresearched. Given these research gaps, this study investigates the conditions under which managers put an innovation project on hold. We account for the degree of project completion as the perceived value of holding a project arguably depends on how much time a decision maker allows for ambiguity resolution. Moreover, we consider how individuals differ in their motivational processing of ambiguity as implied by the regulatory focus (with the dimensions of promotion and prevention). Specifically, the research questions of this study are: (1) How does ambiguity influence the decision to put an innovation project on hold versus to continue or to terminate the project considering the degree of project completion and (2) how does the decision maker's regulatory focus influence the effect of ambiguity on the decision to put an innovation project on hold versus to continue or to terminate this project?

### Method and Data

We conducted a laboratory decision experiment with 136 managers screened for higher hierarchical positions and involvement in project review decisions. Participating in an experimental task, respondents evaluated a fictitious innovation project suffering from a negative market outlook. We constructed the experiment as a 2 (ambiguity: low vs. high) x 2 (degree of project completion: low vs. high) factorial between-subjects design. Decision makers' regulatory focus was measured as a chronic trait with separate scores for promotion and prevention. We ran a multinomial logistic regression model with respondents' project review decisions as a nominal three-level (continue—hold—terminate) dependent variable.

### Summary of Findings

First, we find that the degree of project completion moderates the effect of ambiguity on the likelihood of holding a project relative to continue or terminate it. Specifically, the effect of ambiguity is positive when the degree of project completion is low and negative when the degree of project completion is high. Second, we find no statistical significant interaction effect of a decision maker's promotion focus and ambiguity but a significant direct effect of promotion focus on the outcome of a project review decision. Promotion focus directly increases a decision maker's

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proneness to continue versus to hold projects independent of ambiguity. This finding reflects the risky bias in the behavior of promotion-focused decision makers. Third, a decision maker's prevention focus significantly interacts with ambiguity such that prevention focus decreases the effect of ambiguity in the low project completion condition and increases the effect of ambiguity in the high project completion condition. Decision makers with a high prevention focus are particularly driven to achieve an outcome in which a project passes the review criteria and thus might employ risky decision tactics at project review points.

### **Key Contributions**

First, we contribute to the research on project review decisions. Our study is the first to provide an in-depth investigation of the decision to put an innovation project on hold, a decision option used by managers in innovation practice but so far largely overlooked by innovation research. By spot-

lighting the conditions under which managers hold innovation projects we address a substantial gap in the literature on project review decisions. Second, we make a theoretical contribution to research on managerial reactions to ambiguity. By contrasting ambiguous and unambiguous project feedback, we derive a contingency view on how ambiguity influences the outcome of project review decisions. The findings indicate that the effect of ambiguity is substantially different dependent on the degree of project completion and the regulatory focus of decision makers. Third, we add to the understanding of the psychological underpinnings of decision making at project review points. Specifically, we contribute to the research on escalation of commitment by showing that ambiguity and the regulatory focus of decision makers are essential constructs for a nuanced understanding of the origin of this decision-making bias.

*References are available on request.*

# Driving Organizational Unit Innovation: Antecedents and Outcomes of Ambidextrous Innovation Leadership

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**Keywords:** *innovation, ambidextrous innovation leadership, fostering idea generation, fostering idea realization, individual-level antecedents*

**Description:** *The study introduces the concept of ambidextrous innovation leadership, consisting of fostering idea generation and fostering idea realization, and investigates individual-level antecedents, i.e., leaders' goal and error orientations, as well as two complementary outcomes, i.e., organizational unit innovativeness and efficiency, of ambidextrous innovation leadership.*

## EXTENDED ABSTRACT

### Research Question

The study addresses two research questions:

1. Which impact does ambidextrous innovation leadership, in particular fostering idea generation and fostering idea realization, have on organizational unit innovativeness and efficiency?
2. Are leaders' goal and error orientation drivers of ambidextrous innovation leadership, in particular fostering idea generation and fostering idea realization?

### Method and Data

Structural equation modeling with time-lagged data of 194 executives and 761 corresponding subordinates is employed. Aggregated, the data represent 194 organizational units with profit and loss responsibility.

### Summary of Findings

The results of structural equation modeling indicate the relevance of ambidextrous innovation leadership for both organizational unit innovativeness and efficiency. Specifically, the two behavioral dimensions of ambidextrous innovation leadership differ in their impact on organizational unit goals: orga-

nizational unit innovativeness is solely driven by leadership behaviors aimed at fostering idea generation, whereas organizational unit efficiency is driven by both dimensions of ambidextrous innovation leadership, that is fostering idea generation and fostering idea realization. In addition, the study reveals that leaders' goal and error orientations are drivers of ambidextrous innovation leadership but differ in their impact on the two behavioral dimensions. Learning goal and error orientation affect fostering idea generation, whereas learning and avoid goal orientation affect fostering idea realization.

### Key Contributions

The study extends previous research on innovation and leadership by simultaneously investigating two conflicting outcomes, that is, organizational unit innovativeness and efficiency. By doing so, it provides insights on how leaders contribute to ambidextrous goals in the context of organizational innovation. Finally, the study sheds light on the interrelations of several individual characteristics influencing ambidextrous innovation leadership, thereby providing insights on selection criteria for recruiting leaders capable of driving both organizational innovation and efficiency.

*References are available on request.*

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# From Managerial Cognition to Innovation Success: The Role of Market Knowledge Sharing and Its Accuracy

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*Detelina Marinova, University of Illinois at Chicago*

**Keywords:** *microfoundations, innovation, knowledge sharing, cognition, team decision making*

**Description:** *This paper investigates the cognitive antecedents and consequences of market knowledge sharing and accuracy of shared knowledge during innovation.*

## EXTENDED ABSTRACT

### Research Question

Many business organizations recognize the clear advantages of teamwork and thus rely on teams, instead of individuals, to complete important innovation tasks such as new product development (NPD). Yet teams can fail, with potentially disastrous results. A particularly problematic area in this context is knowledge sharing: A recent metaanalysis of 22 years of team information sharing research reveals that teams avoid sharing information particularly when it is critical for them to do so (Mesmer-Magnus and DeChurch, 2009). Instead, they engage in more information sharing when all members already know the information or can already make accurate decisions on their own. Thus, almost two decades after knowledge sharing was first linked to innovation success, we still do not understand the process by which knowledge gets shared within teams (Zhao and Chadwick, 2014). In this work, we examine middle-level managers' cognitive processes during innovation and the effect of managerial knowledge sharing on team-level outcomes when it comes to customer and competitor knowledge sharing, as a critical element of innovation.

### Method and Data

With a cognitive perspective, we use a multimethod research design and empirically examine individual-level factors that promote or diminish the sharing of knowledge and its accuracy in a team. We test our proposed hypotheses with two complementary studies. In study 1, we conducted a field survey of members of 20 NPD teams. We examine the cognitive

antecedents and consequences of market knowledge sharing and its accuracy in an NPD team.

Using survey data, we assess customer and competitor knowledge-sharing behaviors and innovation outcomes in a real business setting. In Study 2, we conducted a quasi-experiment with a managerial simulation software, which allowed us to capture the accuracy of shared knowledge in a controlled setting over time and thus extend our conceptual framework to a dynamic, process-based one.

### Summary of Findings

We found that when customer and competitor knowledge are perceived as highly diagnostic or consequential for team success, more knowledge sharing takes place within the team, and that shared knowledge also is more accurate. In addition, when customer knowledge appears favorable, it enhances both customer knowledge-sharing behavior and the accuracy of that knowledge, but it reduces the impact of the perceived diagnostic value on knowledge sharing, suggesting a trade-off effect. In contrast, when competitor knowledge is perceived as favorable, it reduces the accuracy of shared competitor knowledge. Decision makers' perceptions of team performance also stimulates both customer and competitor knowledge sharing, but somewhat unexpectedly, perceived team success reduces the accuracy of only customer, not competitor, shared knowledge. We also found important differences in the antecedents and consequences of knowledge-sharing behavior and the accuracy of shared knowledge: Per-

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ceived team success has a different effect on knowledge-sharing behavior than on accuracy of shared knowledge. Furthermore, accurate shared customer and competitor knowledge both exert inverted U-shaped effects on team success, and customer knowledge-sharing behavior has a similar effect, whereas competitor knowledge sharing does not.

### **Key Contributions**

We make two main contributions. First, prior strategic knowledge management research tends to focus on macro-level constructs rather than micro-level issues. In contrast,

this study centers on the different perceptions of individual decision makers within an NPD team. We thus can determine the impact of perception of market knowledge on the extent of market knowledge sharing and the accuracy of that knowledge. Second, we distinguish between knowledge sharing and the accuracy of shared knowledge, unlike research that considers these elements interchangeable. We identify important differences in the antecedents and consequences of the constructs.

*References are available on request.*



# Expertise and Innovation: An Experimental Study with Senior Executives in Marketing-Oriented Organizations

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**Keywords:** *innovation, expertise, entrenchment, disruption, disruptive strategies, strategic decision making*

Expertise is a double-edged capability for senior executives in marketing oriented organizations. On one hand, there is little disagreement that executive expertise is a highly valued asset for practitioners (Linebaugh 2012) and academics (Chase and Simon 1973; De Groot 1978) alike. Expertise is a deep knowledge of domain-specific facts, challenges, and solutions acquired over years of experience (Prietula and Simon 1989) and practice (Ericsson and Charness 1994) that enables effective and innovative decision making (Salas et al. 2010). In companies ranging from GE to IBM, domain expertise is increasingly valued as an essential resource for innovation (Linebaugh 2012). On the other hand, there is also growing recognition that domain expertise can be a liability for continuous innovation and growth (Dane 2010; Kahneman 2011; McCauley and McCall 2014). In Dane's (2010) theory, expertise narrows cognitive schemas and constrains choices to those compatible with or embodied in current knowledge, resulting in what he refers to as cognitive entrenchment. As per this thesis, the very knowledge that makes an expert also imposes boundaries that constrain and constrict decision making—in a way hindering “out-of-box” thinking.

The liability of expertise is especially problematic for senior executives in marketing roles. Three-quarters of CEOs continue to rank innovation as one of their top three priorities. (Wagner et al. 2014), and look to their Chief Marketing Officers (CMO) to champion innovation in their organizations (Colony 2011; Boyd et al. 2010). CMO expertise in a broad, market-oriented view of value, competition and opportunity are critical to innovation and long-term value creation (Clark and Montgomery 1999, Kotler 1999, Day 1999). Yet, in increasingly complex, fast-changing and hypercompetitive

markets the liability risks of expert knowledge are amplified as indicated by the literature on heuristics and biases (Kahneman and Klein 2009; Kahneman and Klein 2010; Kahneman et al. 1982). The liability of expertise can result in a narrow or myopic view where emerging competitors go unnoticed until it is too late (Hodgkinson 1997, Levitt 1960), leaving leaders and their organizations blindsided and outmaneuvered (Kahneman 2011), and knocking even the best companies off course (Day and Moorman 2010).

Surprisingly, little is known about whether and how marketing executives experience the liability of expertise, and the strategies they use to overcome this liability to remain innovative in their decision making. Anecdotally, there are examples of leaders such as Thomas Edison, Richard Branson and Steve Jobs who seem to circumvent this liability and continually recognize new opportunities. While the stories of popular marketers are certainly inspiring, both the academic and popular management literature are also replete with countless stories of opportunities missed, bad decisions, and copy-cat products and services. As decisions related to innovation are often big bets in terms of time, money and effort with far-reaching impact, understanding the nature of expertise liability and how to overcome it is timely and significant for both marketing research and managerial practice.

This paper takes the first step in advancing the preceding understanding. We begin with a review of the relevant literature and thereafter outline the research questions guiding this work, our conceptual model and hypotheses. We follow up with research methodology and results, and conclude with a discussion and future research directions.

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## Duality of Expertise and Entrenchment, and Disruption Strategies: A Brief Background

Expertise is defined as deep, specialized knowledge in a particular domain that is deliberately developed over time (Prietula and Simon 1989). While expertise has been studied extensively in consumer research (Alba and Hutchinson 1987); the nature and structure of executive expertise is given relatively less attention and, when studies examine this phenomenon, they tend to utilize narrow theoretical frames (Day and Lord 1992; Melone 1994; Stubbart 1989). Gemmill and Wilemon's (1972) early work on product manager expertise illustrates the frames used in much subsequent literature. The authors draw on the power literature to examine the role of product manager's expert power in gaining interpersonal influence within an organization (French and Raven 1959; Mechanic 1962). Interest in this literature focuses on how executives (or employees) wield expert power, why it works and under what conditions; however, often overlooked are issues of how executives gain expertise in the first place, and when and why expertise may come with the additional "baggage" of liabilities. In other literature, studies focus on the knowledge structures of organizational members (cf. Szymanski 1988) but do not explicitly link it to expertise. Outside the organizational context, De Groot's (1978) pioneering research on the knowledge structures of chess experts is considered one of the initial efforts to understand and capture the nature of expertise. Both De

Groot (1978) and Simon and Chase (1973) confirm the intuition that extended professional experience and practice are required to reach expert status in a domain or profession.

Recent research in psychology and management show that expertise and entrenchment are linked in a duality, like two sides of the same coin, such that studies of expertise are incomplete (if not misleading) without considering the entrenchment they entail. Dane (2010) defines entrenchment as cognitive constraints associated with expertise such that "experts may be restricted in their ability to identify optimal solutions to problems, adapt to novel situations, and generate radically creative ideas within their domain." Likewise, Kahneman and Klein (2009, p. 515) observe that expertise is "sometimes marvelous and sometimes flawed." Table 1 outlines the expertise-entrenchment duality along four distinct features of expertise.

First, the specialized nature of expert knowledge can limit experts' scope of attention (Dane 2010). Second, while ongoing pattern recognition enables processing speed, it also reinforces the status quo and results in the dismissal of new information (Ericsson 2009; Kahneman 2011). Third, the organization of expert knowledge into categories provides efficient storage; however, strongly held existing schema can limit the development of new categories and result in categories that are more structured, rigid and resistant to modification (Fiske and Taylor 1991). Finally, expertise can

**Table 1.** The Duality of Expertise and Entrenchment

Characteristic	Expertise	Entrenchment
<b>Specialized</b> Expert performance is domain-specific and typically non-transferrable	<ul style="list-style-type: none"> <li>Deep knowledge base</li> <li>Platform for new ideas and innovation</li> </ul>	<ul style="list-style-type: none"> <li>Narrow view based on specialization</li> <li>Limits scope of attention</li> </ul>
<b>Pattern-based</b> Experts recognize complex patterns as they assess the environment	<ul style="list-style-type: none"> <li>Understand situations quickly</li> <li>Detect &amp; recognize complex patterns</li> </ul>	<ul style="list-style-type: none"> <li>Instinctively reinforce the status quo</li> <li>Dismiss new information and cues as unrelated</li> </ul>
<b>Categorized</b> Experts organize their knowledge conceptually into categories	<ul style="list-style-type: none"> <li>Easy access to knowledge</li> <li>Efficient storage and updating of information</li> </ul>	<ul style="list-style-type: none"> <li>Fixation and rigidity related to existing categories</li> <li>Limits consideration and pursuit of new ideas</li> </ul>
<b>Automaticity</b> Experts are able to accomplish tasks without using all cognitive resources	<ul style="list-style-type: none"> <li>Quick decision making</li> <li>Efficient use of cognitive resources</li> </ul>	<ul style="list-style-type: none"> <li>Failure to recognize limits of domain knowledge</li> <li>Overconfidence in extensions of existing knowledge</li> </ul>

enable decision-making efficiency and speed, but can also result in overconfidence and lead experts astray (Kahneman 2011). Experts often find themselves responding automatically to specific situations and may miss features that make a situation atypical or rare (Feltovich et al. 2006).

The duality of expertise and entrenchment raises a fundamental question: Do experts consciously perceive entrenchment or is it below the threshold of subjective experience? In the stress literature, Lazarus and his colleagues (Folkman et al. 1986; Lazarus and Folkman 1984) advance an appraisal theory based on the insight that individuals actively evaluate their relationship with the environment (e.g. Am I performing well or am I impaired by situational demands?) to assess its implications for personal well-being. To explain individual motivation for such subjective appraisals, Lazarus noted that people negotiate between two complementary frames of reference: (a) wanting to view what is happening as realistically as possible to cope with it, and (b) wanting to put the best possible light on events so as not to lose hope or sanguinity. In effect, appraisal is a compromise between life as it is and what one wishes it to be.

A promise of the study of expertise-entrenchment duality is understanding the strategies that executives use to disrupt their entrenchment and mitigate the liability of expertise. Research on psychological stress suggests that individuals who appraise a situation as stressful (referred to as *primary* appraisal) are prompted to ask, “What can I do about it?” (referred to as *secondary* appraisal) as a precursor to a coping response (Lazarus and Folkman 1984). In a similar vein, entrenchment appraisals are expected to provoke consideration of action choices that overcome or disrupt the perceived entrenchment. After all, to appraise entrenchment (stress) is to do something about it (cope). Because expertise is based on continued learning, conscious monitoring and self-assessment are important elements of the learning process (Salas et al. 2010). A learning orientation poises experts to detect errors and dissect failures (Glaser et al. 1988). Reflecting such learning, Dane (2010) suggests that experts learn to loosen fixations of expertise schemas and processes by deliberately attending to tasks outside of their expertise domain to experience new discoveries or ways of thinking. Similarly, Kahneman and Klein (2010) recommend the use of deliberate “checklists” to overcome the blinds of cognitive biases including succumbing to categorization error and peripheral processing.

Thus, a provocative idea from the preceding literature is that experts are not doomed to live with the duality of entrenchment. Entrenchment is not an inevitable end state. If executives are aware of the possibility of entrenched thinking, they have the agency to do something to disrupt it. To our knowledge, this study is the first attempt to examine the dis-

ruptive strategies of marketing executives and its influence on their decision making.

## Conceptual Framework and Hypotheses

We build on the preceding notion of disruptive strategies to (a) conceptualize the nature of entrenchment and possible strategies that might disrupt entrenchment (RQ1), and (b) examine the degree to which different disruption strategies differ in their effect on senior executive’s decision making innovativeness (RQ2). Specifically, our conceptual development is based on a qualitative study (RQ1), and our hypotheses for the influence of different disruption strategies are tested using a field experimental study (RQ2). We address each in turn.

## Conceptual Development: Experienced Entrenchment and Disruption Strategies

To study the effectiveness of disruption strategies, it is necessary to understand the nature of entrenchment as experienced by senior executives (RQ1). A qualitative study is well suited for this purpose because it permits (a) an in-depth analysis of experiential phenomenon, (b) an open forum for respondents to express their subjective experience without constraints of structured surveys, and (c) probing of respondent experiences by the interviewer to obtain rich and “thick” insights (Strauss and Corbin 1998). To capture the insights of innovation champions, we interviewed 23 marketing executives of 21 for-profit and 2 nonprofit US organizations across a wide range of industries (56% from financial services, healthcare, consulting and manufacturing sectors). All marketing executives were college graduates, 40% of whom had an additional graduate or professional degree, and 65% were male. Close to half of the participants (48%) had more than 10 years of tenure, while 26% had less than two years of tenure. Eight of the 23 executives had spent their entire careers in marketing roles while fifteen (65%) were experienced in other functional areas. Only three of the executives had spent their entire career in the same industry while 20 (87%) had multiple industry exposure.

For developing our conceptual understanding, we first transcribed the interviews and analyzed their content to extract themes related to experienced entrenchment and deliberate disruption strategies using a three-step, iterative thematic analysis as per Corbin and Strauss (2008). Our analysis reveals five distinct themes of experienced entrenchment, and two metastrategies of disruption, summarized in Tables 2 and 3 respectively. We begin our conceptual development by outlining the themes of experienced entrenchment, interspersing our discussion with verbatim comments from marketing executives to provide supporting data.

*Experienced entrenchment.* As shown in Table 2, experienced entrenchment involves five distinct themes: (a) anchoring,

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**Table 2.** Experienced Entrenchment

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Types	Definition	In Context of Experts
<b>Anchoring</b>	First piece of evidence becomes anchor that influences decisions	Salience of existing knowledge becomes anchor that influences decisions
<b>Confirming</b>	Actively pursue confirming evidence	Pursuit of additional relevant knowledge or favored idea narrows search
<b>Filtering</b>	Filter or ignore new situational cues and information	New information is interpreted with existing knowledge categories and structures resulting in biased encoding
<b>Persisting</b>	Fixation on a particular solution at the expense of considering alternatives	Self-confidence and experience promote persistence in pursuit of a favored idea while rejecting contrary information in favored ways
<b>Overextending</b>	Lack of recognition for limits of expertise	Overconfidence effects of expertise and past success experiences give a sense of invulnerability and pride in new pursuits

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**Table 3.** Disruptive Strategies

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Category	Subcategory	Description
<b>Open Strategies</b>	Entertain Contrarians	Pursue differing and contrasting views.
	Create Mind Games	Design and play out experiments in your mind.
	Cross Boundaries	Seek experience and insights by looking outside your domain.
<b>Focus Strategies</b>	Invent Constraints	Constrain parameters for innovation.
	Leverage the Core	Draw on existing knowledge and expertise for new insights.
	Recalibrate Continuously	Progressively gather insights from existing customers to spark new ideas.

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(b) confirming, (c) filtering, (d) persisting, and (e) overextending. *Anchoring* is defined as the tendency to latch on to the first piece of evidence and use that information as an anchor for future decisions (Kahneman 2011). Marketing executives reported that knowledge can act as an anchor where the salience of existing knowledge becomes an anchor for subsequent thoughts and judgments leading to overweighting of past events and existing knowledge, and not enough weight for emergent factors (Hammond et al. 2011). One CMO describes how existing knowledge can often kill new ideas too early.

I notice that when ideas are being thrown around, it's usually the person that has the most knowledge about the topic that ends up killing the idea. Because they're probably more familiar than the other folks in the room with how difficult that would really be to do or how expensive that would really be to do or how risky that would really be to do. And so often times that person is more likely to say, "let's not even go down that road...."

The second type of experienced entrenchment is *confirming*, described as seeking evidence that supports existing instincts or points of view, while avoiding information that contradicts it (Hammond et al. 2011). With experts, the tendency exists to seek information that reinforces existing knowledge structures. Confirming behaviors are evident in search that emphasizes supporting evidence and overlooks contradictory evidence (Hammond et al. 2011). Marketing executives noted that there is a tendency to subconsciously decide what you want to do before knowing why. A CMO shares this situation:

... I was the lead in this. I'll take the blame for it. I really do. .... [what should be done] for sure is just do more due diligence in talking to people that are in the business, listening. I think, most importantly, listening to people that don't necessarily agree with your strategy, and try to understand why from them instead of always selling them on why you think it'll work.

We also found evidence of *filtering* which is defined by an inward focus on interpreting evidence colored by one's own experiences (Kahneman 2011). New situational cues are filtered and ignored, and existing knowledge categories and schema structures bias encoding of new information (Kahneman 2011). In practice, this can often result in what Kahneman (2011) describes as competition neglect, where new outside knowledge and information related to competitive moves are filtered away leaving organizations vulnerable to being blindsided or outmaneuvered. One CMO explained thus:

If most of your time is internally focused, you are probably missing a lot... Too much inside-out. Here's my product, I'm going to move it here. Instead of saying, oh, here's my competitor's products, where do I have to be to win ... too internally-focused; not enough externally focused.

A fourth type of experienced entrenchment is *persisting*, which involves fixation on a particular solution at the expense of considering alternative solutions. Kahneman (2011) describes this behavior as irrational perseverance or a failure to abandon a course of action. Marketing executives noted that overconfidence in one's knowledge and experience can drive the relentless pursuit of a favored idea despite contrary information. A CMO explained thus:

You get into it ... [with] your pride and ego ... you're just gonna do everything possible to make that succeed, probably to the detriment of your company and your customers... the biggest learning for me on this is where I did get a little blinded and did get into the hubris of the deal.

*Overextending*, a final theme of experienced entrenchment, is marked by a lack of recognition for the limits of expertise (Kahneman 2011). Experts become overconfident in their knowledge and experience based on past successes, and attempt to extend or transfer their expertise into new domains even though it may be ill suited (Salas et al. 2010). Marketing executives recognized the perils of overconfidence thus:

The reason why it didn't work going there was it was such a different capability .... We were so beyond our expertise... I think what we missed is that we were looking at something that was pretty different from most other things.

We had a lot of ego that every area we ever touched was successful. So, if we go into that area, it'll be successful too. And we totally missed... Trying to get into a business that was three rings away—that was a miss.

*Disruption strategies.* Our thematic analysis also revealed two metastrategies that marketing executives use to mitigate the detrimental effects of experienced entrenchment (Table 3). While both strategies enhance an executive's capacity to generate new ideas, the two strategies differ fundamentally. "Open" strategies involve breaking the constraints of existing knowledge, while "focus" strategies involve leveraging existing knowledge in new and insightful ways. Each meta-category involves multiple, specific strategies as outlined below.



*Open strategies* involve broadening the scope of expertise by three specific strategies: (a) entertain contrarians, (b) create mind games, and (c) cross boundaries. Entertaining contrarians involves proactively seeking out and listening to new perspectives, particularly opposing views. Marketing executives described the disruptive role of networking with contrarians thus:

Network, but not with what I call ... your immediate peers. I much prefer ... a roundtable of people in other types of professions ... I'm more interested in hearing the perspectives I am not thinking about, kind of where's my blind spot.

Listening. ... listening to people that don't necessarily agree with your strategy, and try to understand why from them instead of always selling them on why...it'll work.

Creating mind games involves visualizing what-if scenarios and hypothetical experiments to break free from current mental schemas. One CMO explained her/his mind-game strategy of projecting into the future to work back to disrupt current practices thus:

I think for people to see close in ... What is the world going to be like in 18 months? It's very hard to understand what might turn out. But if you look far enough out you can have pretty good clarity. And if you look out 15 years or 20 years ... and looked back, you could see that you need X product to make it all work. We model future worlds.

Crossing boundaries entails proactively seeking experiences and insights to what is happening in other markets, industries, and companies. As one CMO noted, engaging in unrelated to work disrupts rigid knowledge structures and existing views.

Get out of the office and do things... that have nothing to do with work.

*Focus Strategies* involve honing expertise knowledge by three specific strategies: (a) invent constraints, (b) leverage the core, and (c) recalibrate continuously. Invent constraints involves frames or boundaries that direct thinking about innovation around a particular challenge. One CMO described establishing boxes, parameters and frames thus:

The more you can put some parameters or a box around it and say ok, this is what I want to go ahead and get done, and then be able to try to innovate within those parameters, sometimes when you close the box it's so much more freeing than when you open it.

Leverage the core involves seeking new insights related to core of what one already knows to discover gaps and new possibilities as emphasized by this CMO.

Not just innovating for innovation's sake—learn to take some core capabilities and do them differently versus just trying to do things different.

Recalibrate continuously involves extracting new insights from existing sources of information. Many CMOs referenced the importance of continuously accessing and drawing on insights from customers to spark new ideas as referenced below.

The perspective that we use [for]. how could we innovate, and at the end of the day, and this will sound very motherhood, but it really does come all the way back to we gotta understand customers, and customers' needs, and customers' problems, and issues. And think about how we can do more to solve them because that's ultimately in the end how you win.

### **Conceptual Model: Experimental Design and Hypotheses**

The preceding development suggests that marketing executives use both “open” and “focus” strategies to disrupt their experienced entrenchment for innovative decision making. To empirically examine this hypothesis, we propose a conceptual model for experimentally examining the relative effectiveness of “open” and “focus” strategies on decision outcomes.

Our conceptual model is a randomized design with two treatment groups who are exposed to either an “open” or “focus” stimuli developed to represent “open” and “focus” disruption strategies, and one control group in a field experiment. The use of carefully structured stimuli to deliberately activate mental schemas that disrupt information processing and stimulate creativity has precedence in the literature and were initially introduced in the 1950s and 1960s (Puccio and Cabra 2010). In one study, participants were asked to use structured techniques to generate creative advertising concepts (Goldenberg et al. 1999). Independent judges who rated the ads found that the ads generated by participants exposed to structured techniques were more original and creative than those generated by participants with no technique or those who were trained in a free technique. Similarly, we expect that the ideas and strategies generated by senior executives exposed to disruptive stimuli will be more innovative in their decision outcomes. Moreover, we hypothesize that the “open” and “focus” stimuli will enhance the innovative capacity of senior executives in different ways. The “open” stimuli is posited to break the binds

of existing expertise through exposure to content that broadens thinking. By contrast, the “focus” stimuli is hypothesized to leverage existing knowledge and expertise in new directions.

Three dependent variables to capture decision innovativeness are included in our conceptual model: (a) quantity of new ideas, indicating the number of new ideas generated, (b) novelty of ideas, indicating the type of new ideas generated, and (c) variance in strategy, indicating the degree to which the future strategy ideas depart from current strategy. As both disruptive stimuli have the potential to unhook participants from existing thinking in different ways, we expect greater changes in idea generation and strategy innovativeness from both the “open” and “focus” stimuli than the control condition. Thus, we hypothesize:

*H1. Compared to the control group (no treatment), individuals exposed to “open” or “focus” disruptive stimuli will generate greater (a) quantity of new ideas, (b) novelty of new ideas, and (c) variance in strategy ideas.*

However, we expect differences in response to “open” and “focus” stimuli for the novelty and variance of new ideas. In our theorizing, “open” stimuli is expected to encourage scanning behavior by exposing participants to new ideas outside their domain. This exploration behavior encourages an external focus that can help overcome the filtering and confirming liabilities of entrenchment (Kahneman 2011). By contrast, the “focus” stimuli is theorized to interrupt cognitive rigidities by leveraging existing domain expertise as a springboard for building new insights. The “focus” stimuli is expected to activate search for new strategies within an executive’s domain of expertise by leveraging her/his knowledge in new directions. Thus, we expect greater novelty and variance in strategy ideas for participants exposed to “open” rather than “focus” stimuli; however, we do not expect a difference in the quantity of ideas generated.

*H2. Compared to the “focus” group, individuals exposed to “open” disruptive stimuli will generate greater novelty in ideas and variance in current vs. future strategy ideas.*

**Experimental materials.** We utilize a three task, before–after experimental setup that includes: (1) a baseline strategy task, where participants are asked to complete a series of open-ended questions related to their mental schema of the firm’s current strategy including business and value-creation model and its competitive distinctiveness; (2) an idea generation task, where participants are either exposed to a video that constitutes the experimental treatment stimuli (i.e., “open” or “focus” disruption) or are not exposed to any disruptive stim-

uli (i.e., control group); and (3) a future strategy task, where participants are asked to complete a series of open-ended questions related to their formulation of the firm’s future strategy (similar to task 1), as well as a series of questions which included demographic questions as controls.

The treatment stimuli were developed as video content to illustrate examples of “open” and “focus” disruptions based on popular press literature. The “open” video highlights two innovation stories involving ideas stemming from external search, while the “focus” video highlights innovation stories stemming from core knowledge and capabilities.<sup>1</sup> To ensure internal validity, all video stimuli were designed to be equivalent in (a) length, (b) visual look and feel, (c) execution including the same music, story cadence and number of words and images. The only difference between the video stimuli is the content, on either “open” or “focus” disruption. Subsequently, the video stimuli were tested for validity with 15 respondents from the same population as the main study. Each respondent rated the stimuli on three measures: (a) innovativeness, (b) outside industry, and (c) inside industry. We expected the “open” stimuli to be rated higher for “outside-industry,” while “focus” stimuli to be rated higher on “inside-industry.” Both stimuli were expected to be equal on innovativeness. Several iterations with think-aloud exercises were required to fine tune the stimuli before pretesting them. T-tests of comparisons showed that “open” and “focus” stimuli were no different on innovativeness ( $t = -1.6/-0.39$ ,  $df = 14$ ,  $p = .127/.71$ ), but were different in the expected direction for outside industry ( $t = 5.31/4.08$ ,  $df = 14$ ,  $p < .001$ ) and inside industry ( $t = -4.64/-2.18$ ,  $df = 14$ ,  $p < .05$ ).<sup>2</sup>

**Experimental sample.** To control for extraneous factors, we utilized a single, market-oriented organization for our sample. We sought cooperation from a \$6 billion corporation in a services industry, and invited its 115 senior executives to voluntarily and confidentially participate. In all, 98 senior executives completed the experiment (85%).

**Measurements.** We relied on expert judges, marketing professionals with a minimum of 10 years’ experience in the industry domain from the participant organization, to evaluate and code the respondents’ strategic decision making for the quantity, novelty and variance of ideas. To further preserve the coding integrity due to the volume of responses, two sets of judges were recruited, one set for the quantity and novelty coding, and another for variance coding.

<sup>1</sup>For relevance, innovation stories were drawn from real-life business contexts. For instance, Uber and AirBNB stories were used to develop “open” stimuli, and UPS and Taylormade were used to develop “focus” stimuli.

<sup>2</sup>Two pairs of t-values are presented because the stimuli were tested in a paired comparison test.



Judges categorized the distinct ideas generated by each respondent into three categories in the order of novelty (a) process improvement, (b) existing product improvement, and (c) new product ideas. In addition, a separate set of judges compared the baseline and posttreatment strategy statements for each respondent to assess the amount of change on a 3-point scale on three factors (a) current versus future value, (b) business model and (c) distinctiveness. To test the interrater reliability, we used the Krippendorff reliability measure (Hayes and Krippendorff 2007), to obtain values of .51, .61 and .67 respectively. We subsequently went back to the judges to conduct think-alouds and get a better sense of their assessments. Based on those discussions, we concluded that assessments are prone to reasonable subjectivity, and aggregated the scores to provide an overall assessment.

## Results

*Manipulation checks.* To check for level of disruption experienced by participants, self-report measures were included at the end of the survey after completion of the three main survey tasks (to avoid bias). The experimental groups differed significantly with mean scores of .025, .204 and  $-.301$  for control, “open” and “focus” respectively ( $p < .10$ ).

*H1.* Analysis of variance procedures were used to test hypothesis with covariates related to breadth and depth of experience including age, tenure in industry, tenure in functional area, global experience and the number of organizations that participants had worked for during their careers. Overall the participants provided a total of 331 ideas of which 127 were from the control group and 112 and 92 were from the “open” and “focus” groups respectively. Based on the bootstrap variance analysis, the control group is significantly different than the “open” group ( $p = .01$ ) and the “focus” group ( $p = .035$ ), while the “open” and “focus” groups are not significantly different ( $p = .43$ ). Thus, H1a is unsupported. This is possibly attributable to the structured nature of the disruptive strategies that encourage deliberative thinking.

Of the 331 ideas generated, 122 were new product ideas, 107 were improvements to existing products and 102 were process improvement ideas. New product ideas dominated for the “open” group at 50% of the group’s ideas, while the control group focused more on process improvement ideas at 45% of the group’s ideas ( $p < .001$ ) and a bootstrap Phi Coefficient of .28. Likewise, the “focus” group is significantly different from the control in terms of the novelty of ideas ( $p = .066$ ) such that the “focus” group generated ideas that tended to be mainly either new product ideas or improvements to existing products. Thus, H1b is supported.

Finally, there is a statistically significant difference between the control group and the “open” group ( $p = .004$ ) but not the

“focus” group ( $p = .126$ ) in terms of the variance of ideas. The marginal mean scores indicate that the “open” group exhibited greater variance in strategy than the control group, while the “focus” group also exhibited greater variance than the control group but the difference was not significant. We find partial support for H1c.

*H2.* Using a-prior contrasts, we tested for differences in decision outcomes for executives exposed to “open” versus “focus” stimuli. Note that we did not hypothesize any difference in the number of ideas generated by executives in the two experimental groups. Accordingly, we found that the “open” and “focus” stimuli were associated with similar quantity of ideas ( $N = 112$  versus 92 respectively,  $p = .43$ ). We had, however, expected that executives exposed to “open” stimuli will evidence greater novelty of ideas relative to the condition when executives are exposed to “focus” stimuli. Our results support this expectation ( $p = .033$ ) such that the “open” stimuli is associated with significantly greater incidence of “new product ideas.” Finally, in terms of variance in strategy formulation, exposure to “open” stimuli does not evidence any advantage for executives relative to “focus” stimuli. H2 is partially supported.

## Discussion

Two questions motivate this study: Do senior executives in marketing-oriented organizations use deliberate strategies to overcome the perceived liability of their expertise, and are different disruption strategies effective in enhancing senior executive’s decision making innovativeness. Together these questions open a heretofore overlooked area of research on the liability of expertise for senior executives, and provide new insights for mitigating this liability. Using a combination of a qualitative and experimental studies, we provide compelling evidence for advancing our understanding of the preceding questions, and guidelines for marketing executives who seek to remain innovative by effectively overcoming the liabilities their increasing expertise may impose. To our knowledge, no previous study has examined these questions in a marketing context.

Our results show that senior marketing executives frequently experience the liability of expertise as cognitive entrenchment that undermines the innovativeness of their decision making. We found four distinct mechanisms of entrenchment that are associated with expertise (Table 1), and five unique patterns of entrenchment as experienced by senior marketing executives (Table 2). This indicates that entrenchment is a varied phenomenon, and its deleterious effects can be pervasive. A notable finding from our qualitative study is that the experience of cognitive entrenchment is precipitated by a failure, and arises from an after-the-fact appraisal of the failed outcome.

Yet, our study reveals that marketing executives actively engage in disruption strategies to mitigate if not overcome the potential for cognitive entrenchment (Table 3), perhaps as a prompt from past experiences of failed decision making. We found a varied set of disruption strategies in use, which we categorized as “open”—those that encourage an external focus to overcome the filtering and confirming liabilities of entrenchment, and “focus”—those that interrupt cognitive rigidities by encouraging the use of existing expertise as a springboard for building new insights. The specific strategies that marketing executives report using in each category provide useful grist for practice and future theoretical development.

Do disruption strategies actually work? Are “open” and “focus” strategies equally effective? Our randomized experimental study addresses these questions. The results show that, while senior executives exposed to disruptive stimuli produced fewer ideas than those in the control condition, exposure to disruptive stimuli significantly enhances the novelty of ideas in executive’s decision making. The control group ideas were more process oriented, while the participants exposed to “open” and “focus” stimuli generated more novel new product and product improvement ideas. In providing clear and consistent effects in a field experiment with real-world senior executives, our study affirms the power of disruption strategies in mitigating the nontrivial liability of expertise that undermines decision making innovativeness.

We also found that senior executives exposed to disruptive stimuli generated strategies judged to have greater variance than senior executives who were not exposed to stimuli. However, only the senior executives exposed to “open” stimuli had significant results. We expected both stimuli to result in greater variance; however, exposure to “focus” stimuli produces results in the expected direction but only with approaching significance.

### Limitations, Implications, and Future Research Directions

Due to the constraints of testing disruptive stimuli within an experimental survey, we utilized a 3 x 1 stimuli design—stories about “opening” and “focusing” innovation ideas from other organizations, inspired by the qualitative research. The differences we see in the results demonstrates the impact that even such low level stimuli can have on how senior executives engage in strategic decision making. These results show the flexibility of the human mind and underscore the opportunity for senior executives to employ deliberate disruption stimuli to enhance their innovative decision-making capacity and outcomes.

Although the findings are promising, this study is certainly not without limitations. While an impressive response rate

for a leadership team, the sample of 98 senior executives is small and limited to one organization and industry. To adequately test the measures and model empirically, additional sample would be necessary. Second, additional samples would allow for the examination of different backgrounds, experience levels and industries.

Future research directions could also include the development of different disruptive stimuli based on the task. Another direction could be the development of different disruptive stimuli based on the individual, where the individuals could choose strategies that work for them in a given situation or over time.

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# Initial Trust as an Informational Feeling for the Adoption of Digital Innovations

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**Keywords:** *digital innovations, adoption decisions, initial trust, feelings-as-information, source credibility*

**Description:** *The present research investigates the mechanisms and circumstances by which initial trust perceptions affect digital innovation adoption decision making.*

## EXTENDED ABSTRACT

### Research Questions

Consumers' adoption decisions for digital innovations are accompanied by particularly high levels of perceived uncertainty, especially when they are launched by unknown companies. Initial trust may help to overcome this uncertainty. However, it is unclear how and when consumers integrate initial trust in their adoption decision-making process. Our research addresses this important deficiency in the literature by investigating the mechanisms and circumstances by which initial trust perceptions influence adoption decision making.

RQ 1: Do consumers consider initial trust in their digital innovation adoption decisions?

RQ 2: How is initial trust integrated into digital innovation adoption decisions?

RQ 3: When is initial trust integrated into digital innovation adoption decisions?

### Method and Data

To investigate whether, how, and when initial trust is integrated into adoption decisions, we conducted a pilot study and four experiments. The data was collected via online consumer panels. The first experiment was a  $2 \times 2$  experimental between-subjects design with a sample size of 101. The subsequent three experiments were all  $2 \times 2 \times 2$  experimental between-subjects designs with sample sizes ranging from

233 to 444. We used the procedure by Herbst et al. (2012) to manipulate participants' initial trust in a digital innovation and varied the degree of digital innovation trustworthiness as indicated by an unknown magazine's trustworthiness index. Additionally, we followed Briñol et al.'s (2004) approach to manipulate source credibility by making the source seem more or less credible. To test for moderators, we added additional manipulations for general trust in feelings (Avnet et al. 2012; experiment 2), cognitive resource availability (Fitzsimons and Williams 2000; experiment 3), and cognitive load, respectively (Avnet et al. 2012; experiment 4).

### Summary of Findings

Four experiments illustrate that consumers consider initial trust as essential information and rely on it for their digital innovation adoption decisions. First, our findings provide evidence for initial trust to be a feeling. Second, we show that initial trust is a diagnostic feeling for digital innovation adoption decisions that is used as informational input in the decision-making process. Consumers' initial trust in a digital innovation positively influences their intentions to adopt this very digital innovation. Further, we demonstrate that initial trust can be processed both heuristically and systematically. Third, we find that the use of initial trust is contingent on specific situational factors such as the point in time at which a consumer learns about source credibility information. Specifically, consumers disregard ex post source credibility information and exhibit a self-confirmation bias when cog-

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nitive resources are sufficient. When source credibility information is provided ex-ante and the source is not perceived to be credible, consumers exhibit a source-confirmation bias. Then, the positive effect of initial trust on DI adoption is attenuated.

### **Key Contributions**

Our findings provide theoretical contributions to the extant knowledge on the role of initial trust in the online context. By adopting a process perspective, we shed light on the underlying mechanisms on which initial trust operates and show how and when initial trust is considered in digital innovation adoption. Additionally, the findings add to the ongoing debate of the conceptualization of trust in the online environment by providing evidence for initial trust to be a feeling that can be used heuristically and systematically rather than a

merely cognitive construct. This finding in turn contributes to research on feelings as information in judgments and decision making. Our results help researchers to arrive at a better understanding of consumers' adoption decision making, specifically online. Furthermore, the results add to source credibility research, since they demonstrate that not only the level of source credibility but also the point of time at which a consumer learns about source credibility information substantially affects the persuasiveness of a source. Lastly, our findings offer implications for practitioners launching digital innovations by raising their awareness that trustworthiness impacts consumers' intention to adopt a digital innovation, thus, potentially leading to a competitive advantage in the online context, especially for new companies.

*References are available on request.*

# Sustainable Identity: Effects of Front of Package Cues, Brand Concept, and Product Quality

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**Keywords:** *sustainability, identity, package cues, environmental benefit, brand concept*

## EXTENDED ABSTRACT

### Research Questions

Exploding public interest in sustainability is perceived as an unprecedented opportunity for companies to differentiate and heighten their visibility of sustainability related investments. The potential for brand building as well as higher return on investments is propelling firms to devote significant resources to sustainability initiatives. Many companies are taking initiatives, often at considerable expense, to strengthen their sustainable identity (SI) which is defined as distinct sustainability related values of an organization around which the corporate brand is built. SI acts as a frame of reference for managers by providing coherence to organization's communication strategy.

However, the impact of differences in cues, products, and performance on SI remains largely unexplored. Marketing scholars have long viewed packaging as marketing communication. Given intense competition in general and fierce rivalry for shelf space in particular, manufacturers wish to design package claims that attract buyers, communicate their environmental identity, and close the sale at the point of purchase. Package claims thus play a crucial role in transmitting the environmental information for manufacturers. The purpose of this study is to examine how different environmental claims on front of package (FOP) impact consumer evaluations of a firm's sustainable identity. In so doing, moderating influences of brand concept and information about product quality are also examined. We use research on multiple cues to situate our study at the intersection of cue consistency and cue diagnosticity frameworks to understand the impact of multiple cues that include more than one environmental benefit in consumer judgments about a firm's SI.

### Method and Data

Our research context involves the global skincare industry. Following consumers who are increasingly pro environmental, many skincare companies have initiated programs to project an environmentally friendly image. We conducted a focus group to understand the preferred benefits and the importance consumers place on environmental benefits in their skincare purchase decisions. A package designed by a professional graphic designer was used to present manipulations pertaining to cue type, brand concept, and product quality across three studies.

### Summary of Findings

Our results indicate that SI evaluations differed as a function of brand concept, cue type, and product quality and interactions among them. For prestige brands, a single environmental cue accompanied by a self-benefit accorded SI whereas for functional brands multiple cues were required. Product quality moderated this relationship such that positive quality enhanced prestige brand SI whereas average quality neutralized the SI for functional brands. Prestige brands were somewhat insulated from quality differences compared to functional brand concept.

### Key Contributions

Our results support a contextual basis of SI so that marketers can adjust their strategies based on the brand concept, cue type, and quality differences. The current study provides important insights with regard to the efficacy of FOP cues as well as boundary conditions that exert influence on the SI. Policy makers, researchers and brand managers can benefit by the contextual implications presented in this research.

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Although it is generally well understood that FOP cues influence consumer judgments, implications for sustainable identity presented here contribute to the literature on corporate sustainability track record. It is hoped that future research

will strengthen the relationships presented here while uncovering other influences that benefit SI evaluations.

*References are available on request.*

# The Role of Online Customer Engagement in New Product Launch Success

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## EXTENDED ABSTRACT

Despite the current increased popularity of new product preannouncements (Su and Rao, 2010), there has been limited academic attention to how firms use social media to preannounce their new products, thereby generating online customer engagement (OCE), which in turn influence new product performance. Current study utilizes a sample of 502 new product launches with and without preannouncements in the automobile and cell phone industries during the 2009–2015 period to analyze the association between new product preannouncements and OCE across social media platforms, namely Facebook, Twitter, brand community websites, and blogs while using text analysis techniques. We then utilize Simultaneous Equation Modeling technique to examine how the new product preannouncements generate volume of conversations (WOM volume) as measured by total number of posts and consumer sentiment measured by the ratio of positive intensity of conversations to total intensity of conversations (WOM sentiment), and also to analyze how the WOM volume and sentiment impact the announcing firm's stock returns.

Findings suggest that relative to new product announcements (NPAs), new product preannouncements (NPPs) are

more likely to evoke consumer interests for the new products and the associated brand, which in turn generates greater product related conversations and sentiment. Furthermore, consumer interests/enthusiasm is moderated by the richness of the new product information and cobranding strategy. The estimates indicate that WOM volume has an inverted U-shaped such that the small volume and the large volume of consumer conversations have a less positive effect on the firm's stock returns than the moderate volume of conversations. Lastly, we find the WOM sentiment enhances the firm's stock returns. Current study extends the literature by demonstrating that variations in firm's stock price movements are partially explained through consumers' online engagement over and above that explained by preannouncements of new product developments. Thus, the results highlight the important role of online customer engagement in transmuting the signal from a new product preannouncement to the firm's stock market performance.

*References are available on request.*

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# How Identity-Related Goals Moderate the Role of Attributes in Product Evaluation

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**Keywords:** *identity related goals, goal activation, goal-product fit, product evaluation*

## EXTENDED ABSTRACT

This paper aims to address the question of why particular attributes become important in product evaluation based on identity related goals. An attribute that can facilitate a goal is considered to have higher level, which results in a more favorable product evaluation (H1).

It is proposed that the positive relationship between product evaluation and the level of a relevant attribute to fulfill a goal is strengthened by goal activation (H2). Goal activation is defined as a mental representation of the desired end (e.g., Bagozzi and Dholakia, 1999; Brandtstädter and Rothermund, 1994). A goal is more likely to direct people to process goal relevant information, evaluate products that can fulfill the goal as being more favorable and guide their behavior to fulfill the goal when the goal is activated compared to when it is not.

In addition to goal activation, goal-product fit is a second important factor that is likely to strengthen the positive relationship between product evaluation and an attribute level (H3). Goal-product fit means the extent to which consumers think a product (category) is related to a particular goal, which is consistent with attribute-goal congruency (fit) literature. When the link and association between a goal and a product become stronger, i.e., the goal-product fit becomes stronger, the goal takes more weight among multiple goals and may suppress other goals (Bagozzi and Dholakia, 1999; Shah and Kruglanski, 2003). The relevant attribute that can fulfill the goal becomes more important in product evaluation. The higher an attribute level, the more positive the product evaluation.

Three studies supported the propositions. 136 undergraduate students were recruited to participate in Study 1. A two way between subjects design was used with one manipulated factor (attribute level: low/high) and one measured factor (goal

importance). First, participants were instructed to review a product (shampoo) from a simulated online store. In the high attribute level condition, the shampoo contained 100% organic, biodegradable ingredient. In the low attribute level condition, the shampoo contained 5% organic, biodegradable ingredient. As expected, the manipulation check showed that the attribute was perceived more environmental friendly in the high level condition vs. the low level condition ( $M_{high} = 5.77$  vs.  $M_{low} = 3.32$ ,  $F(1, 127) = 19.69$ ,  $p < .05$ ). To measure environmental friendly goal importance, participants completed a 15-item goal importance scale adapted from Fraj and Martinez (2006).

Goal importance (mean centered,  $M = 2.82$ ,  $sd = 0.57$ ) and attribute level (dummy coded) as well as their respective interaction terms were entered into a regression as predictors of product evaluation (a regression procedure outlined by Aiken and West, 1991). The interaction between goal importance and attribute level was significant ( $\beta = .20$  ( $SE = .19$ ),  $t = 2.40$ ,  $p < .05$ ,  $f^2 = .03$ ). To interpret the interaction, a simple slope test was conducted (Aiken and West, 1991). The effect of an attribute level on product evaluation was positive for those high in goal importance,  $M_{low} = 4.05$ ,  $M_{high} = 4.88$ ,  $\beta = .42$  ( $SE = .14$ ),  $t = 3.80$ ,  $p < .01$ , while attribute level did not influence product evaluation for those low in goal importance,  $M_{low} = 4.00$ ,  $M_{high} = 3.97$ ,  $\beta = .01$  ( $SE = .17$ ),  $t = .05$ ,  $p > .05$ . Study 1 supported H1 as the main effect of the attribute's level to fulfill a goal on product evaluation was positive and significant. Moreover, this relationship was strengthened by goal importance.

In Study 2, the target goal was a "supportive of the fair trade business practice" (in short, "fair trade goal") and the goal-related attribute was fair-traded coffee beans. One hundred and thirty-nine students participated in a 2 (attribute level: high vs. low) x 2 (goal activation: yes vs. no) between-

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subjects factorial design. To manipulate goal activation, participants were given a short article of “What to Look for When Buying Coffee.” In the goal-activated condition, the article included a short description on how fair trade coffees could bring many benefits to coffee farmers. In the nonactivated condition, the fair trade information was not present.

After reading the article, participants were asked to review coffee beans from a simulated online store. To manipulate attribute level, participants were either informed that the coffee was 75% fair trade (high attribute level) vs. 5% fair trade (low attribute level). Then, participants evaluated the coffee on two seven-point items (not favorable/favorable, don’t like it/like it;  $\alpha = .92$ ). To operate goal activation in this study, participants were asked to list up to five thoughts around this particular coffee (based on Fishbach et. al., 2003). If any one of the five thoughts included topics related to fair trade (the target goal), the goal was coded as being activated, otherwise it was coded as being not activated.

A manipulation check revealed people generated more thoughts related to fair trade goals in the goal-activated condition than the nonactivated condition ( $X^2(136) = 4.53, p < .05$ ). Consistent with the prediction in H2, there was a significant interaction between attribute level and goal activation on product evaluation ( $F(1, 135) = 5.59, p < .05, \omega^2 = .05$ ). Specifically, the effect of attribute level on product evaluation was more pronounced when the goal was activated as opposed to when the goal was not activated (goal activated:  $M_s = 3.69$  vs.  $5.06; F(1, 135) = 21.72, \omega^2 = .14, p < .05$ ; goal not activated:  $M_s = 4.20$  vs.  $4.58; F(1, 135) = 1.72, p > .1$ ; see figure 3).

In Study 3, one hundred and twenty-one participants from a Study Response Panel (a general population, not a student population) were randomly assigned into one of the four conditions in a 2 (attribute level: irrelevant vs. high) x 2 (goal-product fit: low vs. high) between-subjects factorial design. In the low-fit condition, an article contained basic information about binoculars (i.e., magnification, lens coating, weight of binoculars). Binoculars were unlikely to be seen as relevant to environmental goals, so this was a low condition. In the high-fit condition, the article contained the exact same basic information plus an additional paragraph describing how binoculars could negatively impact the environment (i.e., the lead and arsenic in optic glasses could pollute the environment).

After reading the guide, participants were asked to review a 6 x 25 binocular from a simulated online store. The website contained information about the product including weight, price, and material, and an image of the product. To manipu-

late attribute level, participants were either informed that the binocular lenses were made from high quality optical glass (an attribute irrelevant to an environment-friendly goal) or high quality optical eco-glass (high attribute level). Optical glass was considered to be an irrelevant attribute, which was also a low attribute level since it did not help to fulfill environmental goals.

A manipulation check revealed that the goal-product fit manipulation was successful ( $M_{high} = 4.16$  vs.  $M_{low} = 3.46; F(1,74) = 4.49, p < .05$ ). Attribute level manipulation was successful ( $M_{high} = 3.52$  vs.  $M_{irrelevant} = 6.14; F(1,70) = 5.33, p < .05$ ). ANOVA analyses revealed an interaction effect between attribute level and goal-product fit on product evaluation ( $F(1, 117) = 5.13, p < .01, \omega^2 = .03$ ). As predicted, a simple effect test revealed that high attribute level led to more favorable product attitudes when the product was seen to fit with the goal than when the product was seen not to fit with the goal ( $M_s = 5.23$  vs.  $4.30; F(1, 117) = 6.22, p < .05, \omega^2 = .06$ ). On the other hand, when the attribute was irrelevant (i.e., zero level), product evaluations were similar to when the product fit with the goal vs. when the product did not fit with the goal ( $M_s = 5.13$  vs.  $5.41; F < 1$ ). This study demonstrated that the relationship between attribute level and product evaluation was moderated by goal-product fit, supporting H3. Interestingly, when goal-product fit was low, product evaluation decreased when participants were presented with the optical eco-glass (high attribute level) as opposed to the traditional optical glass (irrelevant attribute level).

The proposed framework makes contributions in that it enriches our understanding of how identity related goals influence the role of attributes in product evaluation. Though identity related goals are higher order and likely to have higher priority for consumers (e.g., Coulter and Zaltman 2000; Ratneshwar et al., 1996), Study 2 shows that it still needs to be activated first before it can exert an influence on attribute importance. Another contribution is to introduce goal-product fit construct into identity related goals literature. The results of Study 3 suggested that when goal-product fit becomes stronger, the relevant attribute that can fulfill the goal become more important in the overall product evaluation. For example, for the same binoculars with eco-glasses, participants had higher evaluation of the binoculars when goal-product fit was high than when goal-product fit was low. Though consumers think symbolic meaning and identity value derived from attributes as important in constructing their own identities, they fulfill identity related goals only with product categories, which are deemed to be appropriate for such goals.

*References are available on request.*

# Influencing Factors of Product Diversification and Innovation: An Exploration of Geographic Clustering and Product Breadth

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**Keywords:** *geographic clusters, product breadth, agglomeration, innovation*

## EXTENDED ABSTRACT

The term “firm cluster” may be defined as a group of organizations located in close geographic proximity or as a geographic concentration of interconnected businesses in a particular region (Porter, 1990). Although research in the area of the geography of economic activities dates back to the work of Marshall (1920), the concept of clusters has attracted much attention more recently (Gordon and McCann, 2000). Interest has come from a variety of disciplines including economics, geography, sociological and management. Clustering research typically addresses questions of why clusters form, how they form and what benefits they offer (Maskell and Kebir, 2005). Numerous case studies have considered the relationship between agglomeration and performance and have resulted in important, yet conflicting findings. Some studies have concluded that firm clusters result in economies of agglomeration and others suggest diseconomies. Therefore, further research is needed to properly characterize the nature of the outcomes of agglomeration. This study attempts to fill an important gap in the strategy, agglomeration and product development literature by focusing on product diversification outcomes and influencing factors.

While firms in close proximity could reap a number of benefits, including innovation, the ability to share infrastructure and inputs, draw on a larger pool of labor, and take advantage of knowledge or demand spillovers, this very phenomenon also raises the prospect of heightened competition in local product markets and higher firm congestion costs and diseconomies of agglomeration. Thus, the debate over the relationship between firm clustering and firm outcomes has yet to be resolved. Based on our analysis, we propose that firms that are located in clusters benefit from a broader product offering or diversification. However, we also predict that increases in cluster size, beyond a certain point, yields a reduction in product breadth. Our aim in this article is to propose a roadmap for future product diversification research to more fully explicate the previous mixed cluster-performance results and strategic marketing implications.

*References are available on request.*

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# Consumer Adoption of Radically New Products: The Role of Expected Learning Opportunities

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**Keywords:** *radically new products, perceived learning opportunities, consumers' evaluation, innovation adoption*

## EXTENDED ABSTRACT

### Research Question

The research question is how should radically new products be communicated so those consumers understand the benefits they can gain by adopting the product.

A radical innovation involves a trade-off for consumers to trade-off between costs and benefits. On the one hand, novel attributes provide an opportunity to differentiate the product from competition (Goldenberg, Horowitz, Levav, and Mazursky, 2003). Research on radically new product adoption has shown that additional new attributes increase the usefulness of a product as well as its social value, and thus make the product more attractive to consumers (Thompson, Hamilton, and Rust, 2005; Zhenfeng, Zhiyong, and Mourali, 2014). At the same time, additional novel attributes can also have detrimental effects on evaluations since they make the product more difficult to understand and to use (Mukherjee and Hoyer, 2001; Page, 2009). The reason for this is that novel products involve high learning costs and cause substantial uncertainty when consumers try to predict the future usability of the product (Hoeffler, 2003).

Radically new products allow consumers to do things they have never done before (Dahl and Hoeffler, 2004), and consumers must construct preferences that are either retrieved from something they already know or construct preferences based on future opportunities (Hoeffler, 2003). We argue that focusing on future opportunities rather than remaining focused on attributes that may be difficult to understand in

the present will enhance consumers' evaluations of the new product. This effect is likely to take place when the new product is in a category where expectations of future technological development is high (i.e., such as technological innovations). Consumers form expectations about future technological developments (Holak, Lehmann, and Sultan, 1987), and these expectations may influence purchase decisions (Bridges, Chi Kin, and Briesch, 1995). When consumers expect products to become more radical and contain many new features in future generations, they may be worried about losing track of technological developments. Buying a radically new technological product now may provide important learning opportunities and thus avoid a skills gap in the future.

In contrast to previous research, which has mainly focused on immediate costs and benefits of new products, we focus on consumers' long term considerations about how present learning opportunities embedded in adopting a new product are connected to present preferences of a new technological product. In this research, we propose that focusing on perceived learning opportunities decreased learning cost inferences connected with a new product that is difficult to understand and enhance evaluations of it. This effect should be stronger the more radical the innovation is since the inherent learning opportunity is connected to the products newness. Thus, the focus of this research is to examine the underlying mechanisms through which learning opportunities leads to new product adoption. More formally:

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H1a: Consumer evaluation of a radically new product will be higher (lower) when focus is on learning opportunities (functional benefits).

H1b: The effect will be stronger the more radical the innovations is.

### **Summary of Findings**

The first study ( $n = 121$  students) utilizing a 2(focus: learning opportunities vs. functional benefits)  $\times$  3(product innovativeness: incrementally new vs. moderately new vs. radically new) between-subjects design with consumers' evaluation as the dependent variable provides support for our assumption that learning opportunities oriented advertising influences the consumers' evaluation, i.e. a learning opportunities (vs. functional benefits) leads to a higher (vs. lower) consumers evaluation and effect is stronger for radically new product (RNP). A two-factor ANOVA (interaction effect:  $F(5, 115) =$

$3.95$ ,  $p = 0.02$ ) and follow-up contrasts, we found that learning opportunities oriented advertising leads to higher consumers' evaluation for RNP, compared to functional benefits oriented advertising (learning opportunities mean =  $6.31$ , functional benefit mean =  $5.03$ ;  $F(1, 115) = 10.61$ ,  $p = 0.001$ ).

### **Key Contributions**

Our research contributes to the innovation adoption literature and practice. We show that consumers who are oriented towards future opportunities (learning) rather than focused on the attributes that maybe difficult to understand in the present will enhance the consumers' evaluation of radically new products. Unlike previous research, which has studied immediate costs-benefits, our research found consumers' long-term considerations of adopting radically new products.

*References are available on request.*

# The Effect of Brand Attachment on the Perceived Risk of Really New Products

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**Keywords:** *brand attachment, perceived risk, really new products, innovations*

**Description:** *The paper examines the effect of consumers' attachment to brands on their perceived risk of really new products.*

## EXTENDED ABSTRACT

### Research Question

This study examines the role of emotional brand attachment in developing consumers' perceptions to new products introductions that represent really new products (RNPs). Compared to other types of product introductions, RNPs are innovations that incorporate fundamentally different technology and provide consumers with significantly greater benefits compared to existing products (Hoeffler, 2003). Due to their level of newness, RNPs, have been classified as new products that do not fit into existing product categories but rather create new categories of their own (Herzenstein, Posavac and Brakus 2007). Combined with a limited knowledge of the new technology and the difficulty with which to estimate their usefulness, RNPs are often assigned a much greater level of perceived risk by consumers. In the present study we use ideas from the affect-as-information model to argue that brand attachment may have a significant impact in moderating the relationship between consumers' risk perceptions of RNPs and three outcome variables; willingness to spread word of mouth about the RNP, willingness to try the RNP and consumers' evaluation of the RNP.

### Method and Data

Data was collected from 124 respondents using a survey questionnaire. Study participants read a description of a fictitious new product introduction that represented an RNP, introduced by an existing brand. The product and brand were chosen based on the results of two focus groups. Participants then responded to scales pertaining to the variables of interest in the study. After assessing the measurements for unidi-

dimensionality and reliability using Exploratory Factor Analysis (EFA), a measurement model and a structural model were developed and assessed using SPSS AMOS 23.0.

### Summary of Findings

The measurement model fit the data well (RMSEA = .08, IFI = .96, CFI = .96, and NFI = .92). With the exception of the chi-square statistic which was significant ( $\chi^2 = 87.56$ ,  $df = 48$ ,  $p < .0001$ ), all fit indices fell within the recommended values. The goodness-of-fit of the structural model was comparable to the previous CFA measurement model:  $\chi^2 = 73.403$ ,  $df = 47$ ,  $p < .01$ , RMSEA = .068, IFI = .97, CFI = .97, and NFI = .93. These fit indices provide evidence of adequate fit between the hypothesized model and the observed data. The moderating role of brand attachment was tested on paths from perceived risk to the three dependent outcomes: word of mouth, willingness to try and product evaluation. Results provided support to the role of brand attachment in weakening the effect of perceived risk of an RNP on all three dependent outcome variables.

### Key Contributions

The results shed light on the important role played by brand attachment in reducing the negative effects of perceived risk of an RNP on consumers' willingness to try the RNP, spread a positive word of mouth about the RNP and their overall evaluation of the RNP. The results of this study reaffirm the value of cultivating strong emotional bonds between brands and consumers.

*References are available on request.*

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# A New Product Taxonomy: Value Cocreation from Product to Brand by Enculturation Conformance

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## ABSTRACT

This paper contributes to literature by adding a new taxonomy that has deductively scaled business product into four different types. It is both visually and conceptually resourceful in developing suitable business strategies for firms to engineer products that will fit with a proper segment of consumers by enculturation conformance.

**Keywords:** *product comparativeness, brand congruence, contextual enculturation conformance, compensatory equilibrium, conforming product, compartmentalized product, cultural product, necessity product.*

**Description:** *We deductively conclude that a new product taxonomy is conceptually reflective of the fundamentals of business, mathematically demonstrable from a mirror-imaged perspective, and insightful suitable in practices.*

## Introduction

Business is an exchange process in which products offered by firms are competing for respective intended locations in the mind of consumers that is made by various enculturation in a given context. However, people often take their context such as culture-related factors as a constant for granted, resulting in an insufficient factual basis on which a meaningful insight can be drawn. We take an integrated approach to depict how product becomes brand with enculturation considerations; we reason that the current firm-to-market based product classification needs to be revised. Using our brand centered model that additionally integrates with enculturation conformance, we have deductively arrived at a new system of product taxonomy with reason-based insight. This paper is to provide a nutshell of how the new product taxonomy is developed, and why it should be adopted to provide insightful guidance in practice.

## Elemental Axioms

We postulate a series of premises from literature and reason-based observations to derive the building blocks of axioms for our modeling. We start with how product can be defined,

and end with how brand prominence can be developed on a rational basis for the new product taxonomy.

## Product Defined

A product  $P$  is offered by a firm, according to designed specifications in form, substantiveness, and structure by itself and in relation to others for intended benefits in marketplace.  $P$  takes a structured modality  $P_{\text{modality}}$  to include both substantiveness by content  $P_{\text{substantiveness}}$  and form by trademark  $P_{\text{trademark}}$ .

$$(1) \quad P_{\text{modality}} = (P_{\text{substantiveness}} + P_{\text{trademark}})$$

where  $P$  is expressed by  $P_{\text{substantiveness}}$  in content of attributes, features, utilities, and benefits (AFUB) in a structural relationship with  $P_{\text{trademark}}$  in a name, logo, and alike that has a legally protectable meaning. A successful product is therefore (1) in the form of trademark that allows for representing product distinction from others to become brand uniqueness, (2) in the content that comprises of superior substantiveness giving rise to an enhanced functionality over comparable ones, and (3) in the structure of equilibrium that is reflected

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by price over quantity for best value to willing buyers in marketplace (Pan and Pan 2013; Pan et al. 2015).

*Product Positioning* is therefore a placement of marketable  $P_{\text{modality}}$  for differentiation or similarity in relation with others by which an intended impression is created in the mind of consumers.  $P_{\text{modality}}$ , when being positioned and further developed, is identifiable for either product competition from one another or an extension from its predecessors by a degree of differentiation  $\chi$  on product comparativeness  $X$  (Insert Figure 1 about here).

$$(2) \quad \chi = f(\text{Competition or Extension}) / X$$

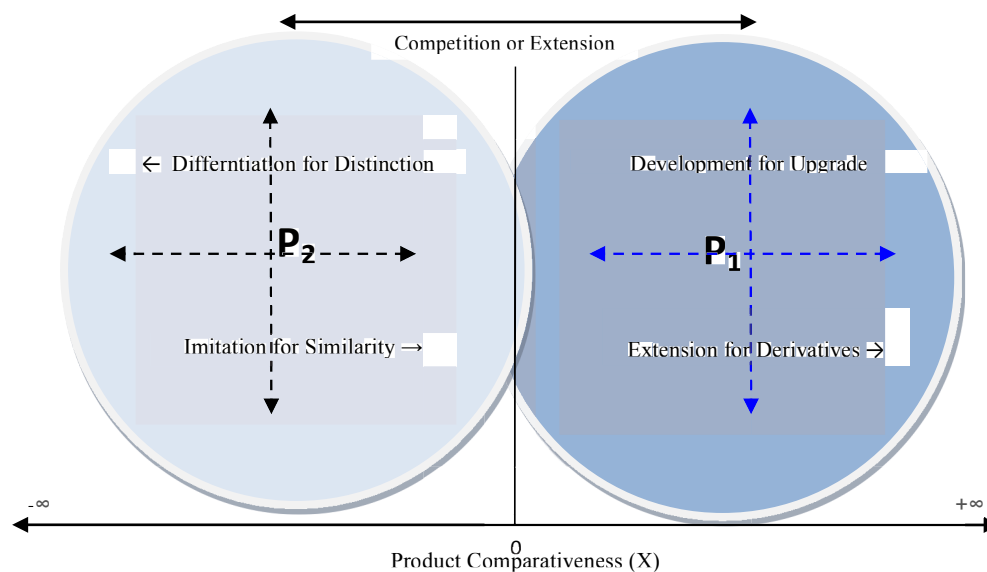
### Brand Congruence

Only when  $P_{\text{modality}}$  is commercially offered, communicated to, and perceived by consumers does  $P_{\text{trademark}}$  get recognized, and  $P_{\text{substantiveness}}$  gets experienced with a probability to form a brand (B).  $P_{\text{modality}}$  is therefore transcended by a congruence process  $\gamma$  to take a location as a brand  $B_i$  in the repertoire of knowledge and experience  $\kappa$  of consumers.  $P_{\text{trademark}}$  by its representation of  $P_{\text{substantiveness}}$  is therefore a referent  $\kappa_{\text{referent}}$  occupying a location within  $\kappa$ . In the process  $\gamma$ ,  $P$ , through similarity categorization (Rosch and Mervis 1975; Tversky 1977), attempts to be placed, though often misplaced or misaligned in distance from its intended B, for brand establishment and development on  $Y$  within an individual. This process is two-layered: specific-aimed

brand (SAB) fit (a.k.a. *brand perceived fit* [Park, Milberg, and Lawson 1991], or a *classical logical layer* [Aerts 2009]) and general context brand (GEEB) consistency (a.k.a., a *quantum conceptual interference layer* [Aerts 2009]) for brand establishment and development (Pan and Pan 2013; Pan et al. 2015; Pan et al. 2016).  $P_{\text{modality}}$  is therefore through brand congruence  $\gamma$  transcended into  $B_i$  that is apportioned for SAB fit with one's demand by affordability, want, and need (DAWN)  $\kappa_{\text{dawn}}$ , and for GEEB consistency with one's value, identity, and belief systems (VIBS). As  $\kappa_{\text{vibs}}$  is in a higher hybrid, it dictates and modifies the nature and range of one's action, or inaction of  $\kappa_{\text{dawn}}$  in  $\gamma$ .

Being  $\Sigma B_n$  is to reach brand prominence  $\omega$  in marketplace as an individual's cognitive result  $B_i$  is part of collective  $\kappa$ . Applied, any product can achieve its wide range of brand prominence as long as it taps into the higher layer of GEEB consistency with a part of VIBS that is deterministic in  $\gamma$ . In the same vein, luxury product becomes brand prominence because of its GEEB consistency with some determinants in VIBS going beyond its basic functionality of SAB fit with  $\kappa_{\text{dawn}}$  in  $\gamma$ , but not because of its additional degree of  $P_{\text{modality}}$  distinction in  $\chi$ . For illustration simplicity, we let B represented by  $\kappa_{\text{modality}}$  as it should be ideally congruently reflective of, or approximately congruent with  $P_{\text{modality}}$ .  $\kappa_{\text{modality}}$  (B) is therefore centered in one direction transcended from intended  $P_{\text{modality}}$  that is apportioned through  $\kappa_{\text{referent}}$ ; it is in the other direction modified and dictated from partial to full

**Figure 1.** Product Competition or Development



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alignment with one's layered cognitive  $\kappa$  that is cultivated through enculturation.

### Enculturation Conformance

$\kappa$  is generally established and developed through accumulative learning by enculturation conformance  $\psi$  over time in a given culture ( $Z_i$ ), acculturation conformance  $\psi_n$  in others ( $Z_n$ ). We adopt the concept of emic-etic dichotomy in cultural anthropology by Pike (1967) to scale enculturation conformance. The emic account of conformance is uniquely reserved to oneself in alignment with one's own from  $\kappa$ . Etic account is that commonly shared with others, from a third party's viewpoint. We view the emic-etic account of enculturation on an elliptic plane to be relative in a temporal and processive manner. We observe both accounts as being defined and confined within a culture, embedded with both subjective and objective information, and transformable by content and in nature between accounts due to the elliptic plane law as our referenced "dial." The distinction is important because the nature of etic-emic account is relative to consumer  $\kappa$  in a point of time and process regardless of being objective or subjective (Pan and Pan 2013). The dominant account of either determines and confines a given  $P_{\text{modality}}$  that has been transcended into  $\kappa_{\text{modality}}$  per relevance of enculturation conformance.

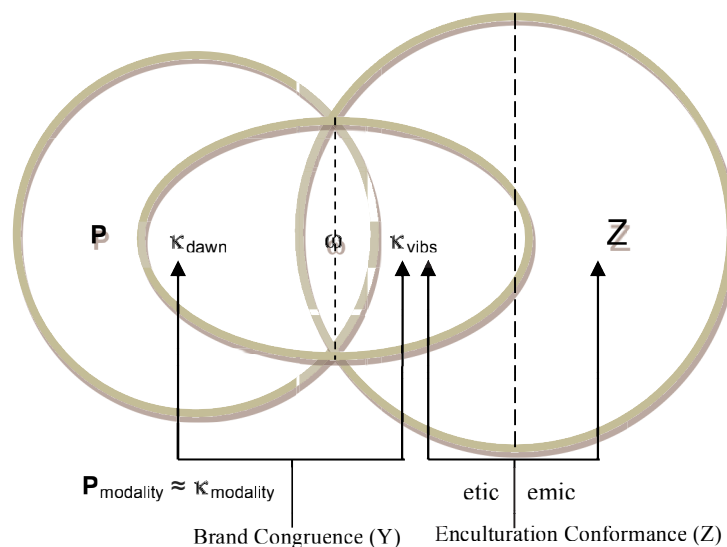
**Brand Prominence**  $\omega$  is thus defined by the congruity function ( $f$ ) of product ( $P$ ) relative to  $\kappa$  of consumers as determined and confined by dominant account of conformance

with given enculturation ( $Z$ ). Suggested, a successful product has established a brand in prominence in  $\kappa$  relatively with optimal conformance of enculturation.

$$(3) \quad \omega = \frac{f(P:k)}{f(Z)}$$

A brand  $B$  in prominence  $\omega$  is determined through product  $P$ 's positioning  $\chi$  by  $P$  extensions or competition ( $X$ -vector) through respective brand congruence  $\gamma$  for brand establishment and development ( $Y$ -vector) in optimal enculturation conformance  $\psi$  of suitable cultural makeup ( $Z$ -vector).  $\chi$  and  $\gamma$  are thus defined and further confined by  $\psi$  in terms of relative product position in distinction or similarity, brand space location in distance on congruence, and suitability by extent of firms' offerings vis-à-vis alignment by enculturation in the minds of consumers in marketplace (Pan et al. 2015; Pan et al. 2016). Applied, a tablet computer ( $P_{\text{modality}}$ ) is defined in a design for user friendliness by Apple's engineers in America ( $Z_1$ ) (i.e., the country of origin in design, e.g., Bilkey and Nes 1982; Samiee 1994) with a name of iPad 2 or 3 ( $P_{\text{trademark}}$ ) that is elsewhere manufactured, though primarily in China ( $Z_2$ ) (i.e., country of manufacture, e.g., Thakor and Kohli 1996). A brand concept ( $B$ ) is to transcend from  $P_{\text{modality}}$  to  $\kappa_{\text{modality}}$  in the consumer minds ( $\kappa$ ) through the cross-culture (relative to  $Z_1$  and  $Z_2$ ) enculturation process ( $\psi$ ). Only those commonly shared and accepted product aesthetics and user friendliness in mutual cultural context can create similar meanings for and valued by consumers throughout the world (Pan and Pan 2013).

**Figure 2.** Brand Congruence by Enculturation for Prominence



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We therefore adopt and delimit three distinguished sets of dimensional variables for product positioning X, brand congruence Y, and enculturation conformance Z as follows:

Vector	Primary Observation	Constraint
Product Positioning ( $\chi$ ) X	Product Distinction $\upsilon$	Similarity Categorization (Rosch and Mervis 1975; Tversky 1977) Product Development (e.g., Henard and Szymanski, 2001)
Brand Congruence ( $\gamma$ ) Y	Brand Prominence $\omega$	SAB Fit (e.g., Park et al. 1991) GEEB Consistency (e.g., Aerts 2009)
Enculturation Conformance ( $\psi$ ) Z	Knowledge and Experience $\kappa$	Dominant Emic – Etic Account of Conformance (Pike 1967)

## Model Development

Corresponding with the development of definitions and implications in literature (e.g., Aaker and Keller 1990; Keller 1993; Boulding, Lee, and Staelin 1994; Diamond et al. 2009; Henard and Szymanski 2001; Monga and John 2010; Torelli et al. 2012; White, MacDonnell, and Ellard 2012), we define product competition or development for distinction  $\upsilon$  to be represented by substantive product differentiation T to occupy a unique space in  $\kappa$  of a consumer's mind. Based upon above three vectors, we propose there be a competitive advantage  $\alpha$  for a brand on the mental “ledger” as for that of a product in a mirror-imaged view. This variable derives from product distinction in quality, price, or others, and will adjust a space in shape and size that an established brand occupies in the mind of consumers. Although *brand* competitive advantage  $\alpha$  cannot be the exact mirror image of *product* competitive advantage as intended by a firm from *product distinction* to *brand uniqueness*, we suggest that the greater  $\alpha$  from the firm's core competencies, the weaker the impact of competing ones to overlap with that  $\alpha$  in the mind of consumers.

To substantiate our reasoning, we propose that brand prominence  $\omega$ , from  $(-\infty, \infty)$  as the Y-vector, subject to the elliptic iteration in a given culture and the shared commonality of cross-cultures, be defined by the function of product modality, brand congruence (let SAB fit = c, GEEB consistency =  $\varepsilon$ ), and brand identification  $B_i$  (i.e., market identification by dominant enculturation). Thus, we arrive at the relationships among variables and determining factors F:

$$f(P: k) = \beta \varepsilon + c \alpha_F X^d + \sum_{i=1}^d \sum_{j=1}^F \alpha_j X^i (\varepsilon_j - \beta_j)$$

We let  $b$  scale the size of brand space created in processing a brand from perception to determination. We analyze that perceptual assessment  $b$  and general context dictation and modification  $e$  are distinct factors that have a role in every

processing step from perceiving product to become brand. Consumers continuously filter the perceived product-to-brand information and process it with the contextual considerations. As such, each unit of space occupied from product perception will lead to additional units of space occupied to induce more contextual considerations.

## Scaling by Enculturation Conformance

As one's  $\kappa$  has to be formed over time within at least one given culture, an individual consumer cannot escape from forming one's own brand concept  $\kappa_{\text{modality}}$  without being defined and confined by at least one culture. This renders that product-to-brand conceptualization is defined and confined by the process of enculturation conformance  $\psi$ . We know that when a brand concept is formed in  $\kappa_{\text{modality}}$ , it is also confined within that culture that has defined it. Therefore, individuals' enculturation can be on a spectrum in a fashion of various forms, from being simplified as a singular and closed one as being controlled and segregated from many others, to being diversified as a multifaceted and open one as being “free” and embracing with many others. Generally, enculturation is reality dependent; that is, to depend on the context cultural environment in which how an individual or firm is operated oneself. The formation of  $\kappa_{\text{vibs}}$  takes time and steps, and has its limit to confine and define brand prominence to be relative in product choice in a given culture.

By the elliptic law, the paralleled emic-etic account of enculturation conformance defining product-brand positioning can eventually intersect under given conditions, thus an emic account of  $\kappa_{\text{modality}}$  within a singular one can become an etic account commonly shared with others from a third party's viewpoint. On the other hand, we view that the elliptic emic-etic accounts in  $\psi$  confining product distinction is also functioning as a rotatable “dial” that can redefine brand uniqueness for brand prominence through those variables embedded in  $\upsilon$  and  $\omega$  relative to  $\kappa$ .

## Compensatory Equilibrium

The equilibrium maintenance in a compensatory style for brand function is evident in a graphical representation of algebraic space scaling in Cartesian equations as proposed. We adopt the argument that as a conditional rationality there is a difference between incentive-based versus reason-based decision in a compensatory or noncompensatory fashion among multiple equilibriums (Weirich 1998). While we agree that incentive proofness alone is not necessary for a rational decision, we differ by extending both incentive proofness and reason identification with dominant enculturation conformance on a scalable spectrum of congruity (Pan and Pan 2013).



In illustration, to achieve a compensatory equilibrium in one's mental ledger, a P's competitiveness ( $\chi$ ), being diagonally for brand prominence ( $\omega$ ) and orthogonally for emic-dominant account ( $\psi$ ), can arrive at a brand-in-valuation for firms ( $BIV_{\text{firm}}$ ) and a brand-in-value for consumers ( $BIV_{\text{consumers}}$ ) (Pan and Pan 2013; Pan et al 2016). The process is essentially operated on product functionality for  $\kappa_{\text{dawn}}$  by enculturation of  $\kappa_{\text{vibs}}$  relative to competing choices on brand congruence. The "dial" strategy in practice ought to pursue a value-added strategy to approach by similarity to an extension ( $\chi$ ) with brand uniqueness ( $\upsilon$ ) on etic-dominant account ( $\psi$ ) that can be translated as an offering that shares the common criteria for a distinction on product comparativeness. For example, many firms may offer shoes to marketplace (etic based on functionality), but only Nike can design, and contract to sell Nike branded shoes (emic based per market relevancy) that is uniquely viewed. Thus, parity on product comparativeness for brand uniqueness exists on a firm's emic account as its competitive advantages (Porter 1975) that are transformed from its own core competencies such as a design, its trademark and its context legal protection.

Further, a sustainable competitive advantage may be virtually impossible to be imitated in a culture of the highest rule of legal protection on intellectual property (IP) because of little marketability of the IP infringed product, while easily imitated in a culture of the lowest rule of IP legal protection. Brand incongruence on an individuals' emic account should exist for one's  $\kappa_{\text{vibs}}$  to scale brand prominence when it is moderately incongruous (an inverted U shape). This would be determined by whether the emic account of  $\kappa_{\text{vibs}}$  is inscribed through enculturation in a culture of either high or low rule of IP legal protection respectively, per our example, rather than ascribed from one's own innate biopsychological makeup in  $\kappa_{\text{dawn}}$  per product functionality.

Thus, we arrive at the following that describes the enculturation process  $\psi$  regarding  $f(Z)$ :

$$f(Z) = \frac{\sum_{n=0}^e E(Z-u)^n}{\sum_{m=0}^t T(Z-u)^m}$$

Where cultural determinacy and confinement on  $Z$  is arrived according to the existing conscious or subconscious enculturation effects  $u$  ( $\psi$ ) accumulated by the accounts of emic  $n$  or etic  $m$  to emics  $e$  and etics  $t$ , and prioritized by the scale of emic  $E$  or etic  $T$ . We define the relationship of  $e$  to be constrained by  $t$  because people generally are restricted or "eye leveled" when follow their own value systems while are accelerated or "group leveled" by their cultural environment. We use a summation with the respective emic and etic account of enculturation in our reasoning by which decision making is the function of value cocre-

ation by exponentiation (Pan and Pan 2013). We simplify our function as follows:

$$f(Z) = A(Z-u)^a$$

Where  $A$  is the ratio of  $E$  to  $T$  and  $a$  is  $e - t$ .

## Brand Prominence

Our model is constructed in a panorama nature to represent brand prominence in a three-dimensional view. We propose that brand  $B$  be defined by its brand prominence  $\omega$  associated with the function of  $P_{\text{modality}}$  in relation with  $\kappa$  to derive product positioning within the consumer's mental domain  $Z$  that is scalable by the enculturation effect  $\psi$ . Applying our model, we want to find the expected brand congruence such that having product to become brand in prominence to maximize brand equity. We set our measurement of brand congruence equal to the consumer's product perception  $f(P:\kappa)$  as the numerator. We analyze that consumers who invoke an etic account tend to evaluate products on a more static equilibrium than an emic account due to general "group think" that has already made a person "predisposed" or "leveled" before actually experiencing a product (Pan and Pan 2013). We combine our analysis as follows:

$$\omega = \frac{\beta \varepsilon + c \alpha_F X^d + \sum_{i=1}^d \sum_{j=1}^F \alpha_j X^i (\varepsilon_j - \beta_j)}{A(Z-u)^a}$$

Where brand prominence  $\omega$ , dependent variable, is evaluated by product comparativeness  $X$  and its enculturation effect  $Z$ , independent variables.

## Product Taxonomy

Brand consciousness is sensitive to how a product is positioned in the mind of consumers. From a consumer's perspective, it is the level of product distinction that decides the effectiveness of brand congruence. From a marketer's perspective, it is the effectiveness of a strategy for product placement according to differentiation in proportion with enculturation factors for product-brand congruence. However, both have been observed in a relative term for a somewhat distorted and asymmetric picture in function of compensatory equilibrium.

We term product in nature of absolute characteristic of confined necessity as compartmentalized product, such as personal computers from which some people are generally insensitive to product switch due to the necessity for everyday use. Other examples are: a leg room on airplane for a person of being taller than the average height as the distance between seat rows is predetermined, or a dictated food diet for inpatient in a hospital ward. Note that there is limited enculturation consideration due to the necessity determina-

tion in this given context. Using an example of being the “simple product of first mover in a pristine society where:  $\beta=\epsilon=c=\alpha=A=a=F=d=1$ , and prior enculturation effect  $u=0$  (i.e., neutrality, indifference, or status quo), or hypothetically the only demand by consumers on a dry and hot desert for a necessity such as water, we can model this with one factor per intended benefit. The product is to be congruous with an emic account of a consumer at a given time or location. We substitute in the factors and solve for  $Z$ :

$$Z = \frac{X+1}{Y}$$

As predicted in visual illustration 1 (a), to efficiently maximize brand prominence on  $Y$  requires extensions of product distinction on  $X$  and neutrality with consumers’  $\kappa$  on  $Z$ . In Illustration 1 (b), we can take the limits to assumed infinity ( $\pm 5000$ ) to see that the first mover is always expected to become contextually neutral (i.e., generic). However, if  $u=1$ , meaning the first mover is already or has been enculturalized with consumers, then aligning with the authentic product by competitors would be more efficient (i.e., a mimicking or fungibility strategy is effective to leverage on the brand equity of an established one) for an immediate result. But in a long run, it is expected that additional competing products will enter marketplace and gain far more prominence than additional enculturalized extension products (Insert Illustration 2 (a) and (b) about here).

Product placement indifference with mental enculturation dominance will result in brand prominence to be viewed positively or negatively depending on whether etic or emic account of enculturation factors is used as a primer. These products are sensitive to the consumers’  $\kappa_{vibs}$ , but insensitive to the product itself of a new entrant. In an example is the

product of second mover providing one additional benefit in the pristine society where:  $\beta=c=\alpha_n=A=F=1$ ,  $d=2$ ,  $\epsilon=3$ ,  $a=-1$ . We introduce a second product after the first mover has been established in a static context. However, the second mover adds a new perceived benefit, such as the choice of colored packaging for bottled water intended for positioning in gender preference (presumptively or arguably through enculturation conformance). The conceptualized brand of the second mover is similar to the first mover (an even) in water  $P_{substantiveness}$  but it invokes the additional (an odd) layer of context dictation and confinement to perceptual assessment. In contrast with the first mover, the second is intended to invoke an etic account of enculturalized individuals that has been commonly shared with others from a third party’s viewpoint (i.e., pink labeled bottle water to be culturally suitable for females, while blue for males). Plugging in the assigned values into our model, we get:

$$Z = \frac{X^2 + 2X + Y + 3}{X^2 + 2X + 3}$$

As predicted in Illustration 3 (a), the second mover will unseat the leading first because its brand prominence is greater than the first mover by an etic enculturation dominance. As shown, it would be more profitable to compete because the second has been positioned away as a differentiated competing product from the first mover. The first mover will most effectively compete by further enculturalizing its product extensions. In Illustration 3 (b), we can take the limits to assumed infinity ( $\pm 5000$ ) to see that the second will become either enculturalized or deenculturalized depending on how the product would be further projected.

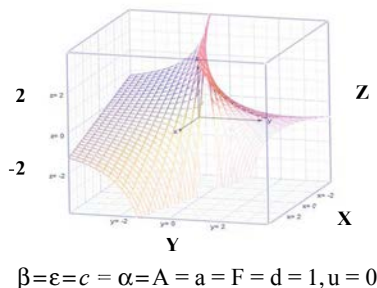
We get the scope of brand equity for prominence with two determining variables: product-brand complexity factor  $d$

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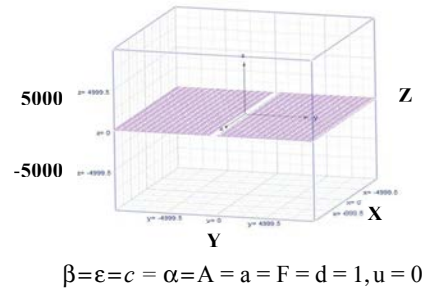
### Illustration 1. Predicted Brand Equity for Prominence

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(a) Simple Product of First Mover in Pristine Society ( $u=0$ )



(b) Expected Simple Product of First Mover in Pristine Society ( $u=0$ )




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Note: The assigned values are for illustrative representation purposes only.  $\infty = \pm 5000$   
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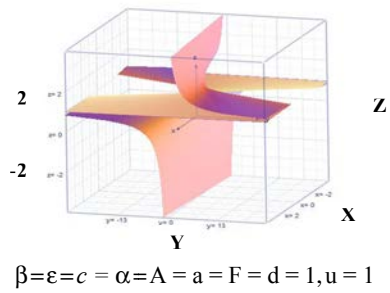
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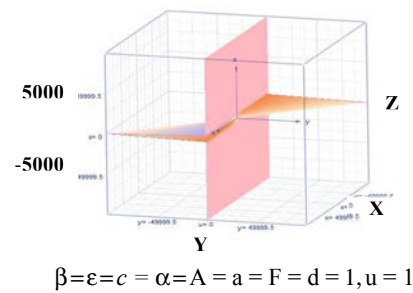
## Illustration 2. Predicted Brand Equity for Prominence

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(a) Simple Product of First Mover in Pristine Society ( $u = 1$ )



(b) Expected Simple Product of First Mover in Pristine Society ( $u = 1$ )



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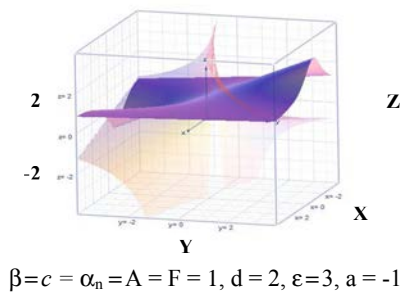


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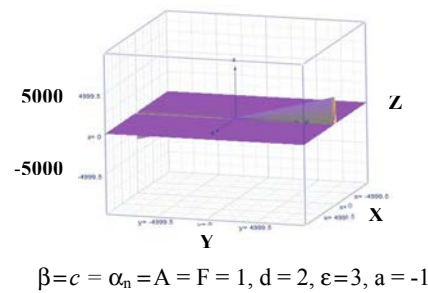
## Illustration 3. Predicted Brand Equity for Prominence

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(a) 2nd Mover with Additional Benefit in Pristine Society ( $u = 1$ )



(b) Expected 2nd Mover with Additional Benefit in Pristine Society ( $u = 1$ )



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and prioritizing consideration of emic or etic  $a$ . We identify factors  $d$  to be either perception indifferent or perception conscious depending on whether the number of  $d$  is even or odd, respectively. As a first mover, the product to brand would ideally be marketed to be perception conscious by having one factor  $d$  for consumers. That is, the first mover is a new product without comparison. By adding a second mover in competition with the exact same attributes to be ostensibly incomparable in value, perception consciousness will shift towards perception indifference, where factor  $d$  is even, implying both to be symmetric. But when at least one product has some ostensible differentiating factor, whether occurred in time, space, or ownership, products would be viewed to be asymmetric in comparative evaluation by consumers (Pan and Pan 2013). From a mirror-imaged perspec-

tive we hold in model construction by illustration, the consideration of emic or etic  $a$  will either result in a mental status of equilibrium being *even* or prioritization of mental dominance to be *odd*. Using the same logic, perception indifference or consciousness asks whether there is any determining factor that does not produce a comparable and ostensible quality or trait. Using our proposed models, we delve into four types of products in their respective pattern as our product taxonomy along with the general principles of insight for practice (Insert Illustration 4 (a), (b), (c), and (d) about here).

### Managerial and Practical Implications

Globalization allows companies to expand business across their home borders in search for “new” markets. Failures

have proved that direct export of a product from a home nation into an intended guest one usually does not work as expected. Our model identifies, reconciles, and weaves with the literature and reasoning together to provide insight and practical guidance.

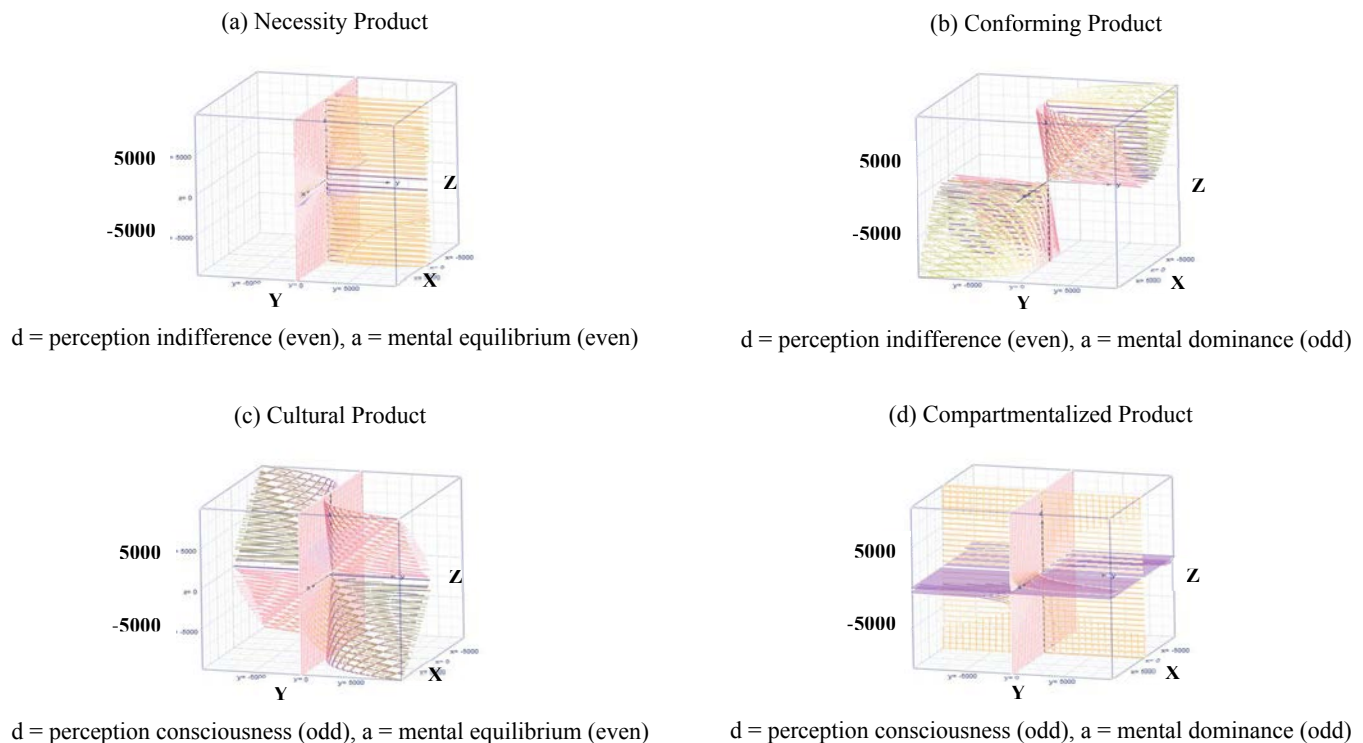
First, we see that the abstract meaning of brand is usually not unique due to an enculturation effect from often normalized  $P_{\text{modalities}}$ . We algebraically analyze this phenomenon by scaling product to four different kinds. When a first mover is introduced, it creates a 100% unique concept. As competitors enter, the trailing ones have leveraged some meaning attached to the first mover if, and only if, the first mover has achieved brand establishment or further prominence. The trailers' attachment creates relative meaning to the first mover due to similarity or fungibility of functionality in  $P_{\text{modalities}}$ . Thus, communication and perception are determinants of whether a trailing product can succeed against the first mover. For example, a product name competing in the same language would face associative consequences with others. With Nike, we place it into a sports apparel industry, which in turn consciously or subconsciously triggers Adidas,

Puma, etc. But if Nike is translated to ナイキ without the Nike logo, a non-Japanese reader would not be able to make any association but a foreign writing.

Second, we delve into three additional types of products that are context dependent: compartmentalized, cultural, and necessity products, additional to the traditional conforming product. This revises the existing product classification and expand it in a comprehensive view because, for example, product differentiation and cost leadership (Porter 1984) alone are only applicable to conforming product in our classification.

Compartmentalized products are either restricted by channel obstacles or dominated by industry required expertise such that there are few other choices a consumer can make. Cultural products are much more independent of product differentiation and cost leadership, but largely affected by product-brand consistency towards personal and societal values in our illustrated analyses. Necessity products are a lot more resilient compared to compartmentalized products, so

**Illustration 4.** The Generalized Scope of Modeling Product Taxonomy for Brand Equity in Prominence



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money invested towards the sales or development of such a product would not be well spent unless there is a significant innovation or redesign of  $P_{modality}$  or a change of the enculturation context.

Lastly, we suggest that marketing be a complex dynamic system encompassing firms' product development to brand establishment by consumers per context enculturation. Adopting our new product taxonomy, we are able to help firms to develop proper marketing strategies for their products to "take" a precise location as an intended brand in the mind of consumers in a given context. As illustrated, our model can gauge opportunities and threats in marketplace by guiding practitioners to identify the scope of brand impact that is exposed, either intentionally or unintentionally, on itself and also in relation with others in a given industry.

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# “Thank You for Already Using Our Green Products”: The Spill-Off Effect of Green Category-Level Advertising Appeal on Category Purchasing

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**Keywords:** *green advertising, spillover effects, category-level advertising appeals, categorization disfluency, field experiment*

**Description:** *Using large-scale field experiment data ( $n = 30,000$ ), we demonstrate that while a green ad with a category-level appeal marginally increases consumer purchases of the focal product advertised, it actually decreases purchases of other products of the category because of categorization disfluency experienced by consumers.*

## EXTENDED ABSTRACT

### Research Question

1. Are the category-level appeals of green advertising effective in increasing consumers' purchases of the particular new green product being advertised?
2. How do such advertisements affect consumer purchases of other products in the same category (i.e., other products than the focal product advertised)?

### Method and Data

One large scale field experiment ( $n = 30,000$ ) with users of an e-book marketplace. The marketplace is accessed via a smartphone application by over 300 million users, and includes over 400,000 mobile electronic books. In addition, we conducted two lab experiments ( $n = 125$  and  $n = 123$ ) via a HIT we posted on Amazon MTurk.

To test for the hypothesized effects and in order to rule out alternative explanations for the underlying psychological

mechanism, econometric analyses were used on the field experiment data and the lab experiment data was analyzed with partial least squares path modeling employing Smart-PLS software.

### Summary of Findings

We show that green category-level advertising appeals increase purchases of the focal product advertised. Interestingly, we find at the same time, a negative spillover effect on other products in the same category. That is, green category-level advertising appeals reduce the demand for other products in the category, than the focal product.

The results of three econometric checks and results from analyses of data from two lab experiments suggest that categorization disfluency mediates the negative spillover, or the spilloff effect. Specifically, from the advertisement itself, consumers are likely to have difficulties in understanding how exactly the appeal confirms the greenness of the other

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products—than the focal product—in the category. This may raise negative feelings of cognitive complexity in consumers, as it requires consumers to mentally associate not only the focal product but also other products of the category with greenness. Further, the results rule out the alternative explanations of perceived greenwashing and green skepticism as potential psychological processes underlying the spilloff effect.

### **Key Contributions**

1. Contribution to literature on the effectiveness of green advertising appeals (e.g., Kronrod et al. 2012; Richetin et al. 2014): this literature focuses on the positive effects of product-level appeals in green advertising on proenvironmental behavior. Our results thus add the important insight that green category-level appeals might enhance purchases of the focal product advertised, but at the same time, may also reduce purchases of other products in the same category.
2. Contribution to literature on behavioral spillover effects of environmental behaviors (e.g., Evans et al. 2013; Thøgersen and Crompton 2009; Whitmarsh and O'Neill 2010): this literature has focused on the question of whether a certain green behavior an individual conducts, affects the likelihood that she would also engage in other green behaviors later on. We contribute to these studies by demonstrating that a mere advertising appeal may trigger negative behavioral spillover effects.
3. Contribution to literature on category-level advertising appeals (e.g., Chakravarti and Janiszewski 2004; Kolarici and Vakratsas 2010; Zheng et al. 2010): these studies only theoretically suggest that such advertising appeals are difficult for consumers to process. We extend this literature by providing empirical evidence for categorization disfluency as the psychological process underlying consumers' processing of category-level advertisements.

*References are available on request.*

# How Motivated Reasoning Impairs Environmentally Motivated Consumption Reduction: A Multicountry Study

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**Keywords:** *anticonsumption, intercultural marketing, motivated reasoning, multilevel analysis, hierarchical linear modeling*

**Description:** *The present research explores the mediating role of motivated reasoning processes, environmental knowledge and perceived seriousness of climate change on environmentally-motivated consumption reduction (for the sake of environment) with respect to culture and economic development.*

## EXTENDED ABSTRACT

### Research Question

Previous empirical findings and real-world observations illustrate that knowledge about the anticipated (negative) consequences of a particular behavior often is not sufficient to encourage consumers to change their habits. The perceived seriousness of negative consequences apparently plays a pivotal role in transforming individuals' behaviors. One primary route of how individual consumers can contribute to achieve improvements (for the sake of environment) is consumption reduction that requires individuals to reducing the extent of consumption, especially of products with potentially harmful implications for the environment. Scholars suggested the construct of environmentally-motivated consumption reduction (EMCR). The present study builds on this work and extends it in at least three crucial aspects that have been neglected so far. First, while prior research mainly focused on factors that promote EMCR, this paper asks why consumers do not reduce consumption although they are well aware of the seriousness of environmental problems. Secondly, this paper searches for moderating variables that help to explain interindividual variances in the occurrence of counterarguments and their implications for EMCR. Thirdly, culture and economic development have

been shown to play a key role as to whether (or not) individuals and societies take actions to mitigate climate change.

### Method and Data

To account for cultural influences and environmental aspects, we apply multilevel analysis (HLM) owing to the fact that the moderating effects may operate at different levels (individual vs. country level). Furthermore, we combine large-scale data from the Eurobarometer ( $n = 16,095$ ) with secondary data at the country level ( $n = 28$ ), including GDP, cultural profiles, and country-specific consumption levels. As our research shows, considering personal and cultural contingency variables has meaningful implications for the role of counterarguments and the question of whether environmental knowledge translates into action. Furthermore, we apply mediation analysis to disentangle the indirect and direct effects of the independent variables via the mediator.

### Summary of Findings

This study demonstrated that the negative mediating role of counterarguments partly explains why environmental knowledge and perceived seriousness of climate change fall short in stimulating EMCR. Multilevel analysis

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reveals interindividual variances in the occurrence of counterarguments with different environmental concerns and the cultural background as moderators (esp. the individualism dimension). In this way, this research extended previous findings that focused only on the promoters of EMCR. From a theoretical standpoint, we demonstrated that the process of motivated reasoning is relevant and this process is influenced by factors that operate at different levels, such as interindividual differences in environmental concerns and culture that affect the occurrence of counterarguments.

### **Key Contributions**

While prior research mainly focused on factors that promote EMCR, this paper asks why consumers do not reduce consumption although they are well aware of the seriousness of environmental problems. According to previous studies, a

major barrier is that consumers generally have negative attitudes toward consumption reduction due to increased subjective costs. Therefore, this research builds on motivated reasoning theory to consider when and how consumer generate counterarguments to escape the burden of reducing their consumption patterns. We furthermore examined moderating variables that help to explain interindividual variances in the occurrence of counterarguments and their implications for EMCR. Therefore we consider different types of environmental concerns (egoistic and social-altruistic). For the first time, this study also explores cross-national variances in the occurrence of counterarguments. Finally, we account for cultural influences. Our results suggest that especially individualism and indulgence color the influence of perceived seriousness on counterarguments.

*References are available on request.*

# Going Green Feeling Guilty

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**Keywords:** *proenvironmental behavior, consumer guilt, framing of responsibility, public service announcements, voluntary carbon offset*

**Description:** *The purpose of this study is to assess how the elicitation of consumer guilt and framing of responsibility in advertising affect proenvironmental behavior, an increasingly important topic in global markets.*

## EXTENDED ABSTRACT

### Research Questions

This study focuses on exploring how guilt appeals can be best designed and articulated to induce proenvironmental behavior (PEB) in the context of public service announcements (PSAs). Using an experimental design, we address two primary research questions:

1. How does framing of environmental responsibility—whether the consumer or the company is portrayed as being responsible for environmental conservation—within PSA moderate the relationship between guilt appeal level PEB and the effectiveness of PSA?
2. How does attitude towards the product mediate the effects of guilt and responsibility on intention to purchase from the company and willingness to pay a premium price (WPPP)?

### Method and Data

The study used a 2 (elicitation of guilt: present vs. absent) x 2 (framing of responsibility: personal vs. company) between-subjects design. The classic guilt manipulation from Tiedens and Linton (2001) was used and PSA from a pilot study was employed. Participants were randomly assigned to the experimental conditions. A total of 201 adults were recruited from Amazon's Mechanical Turk. Prior to testing our hypotheses, we removed outliers to meet the assumptions necessary to conduct our analyses, ANOVAs, followed by contrasts. The final sample was 183.

### Summary of Findings

Findings from this study demonstrate that the framing responsibility for an environmental impact with consumers themselves produces a significant negative impact towards PEB, while directing responsibility to the company nullifies the negative impact of guilt and is likely to be more effective. Specifically, the explicit allocation of responsibility to consumers produces an effect opposite to its intent of inducing consumer's sense of felt responsibility. Based on the results, when consumers feel guilty, attributing the CO<sub>2</sub> emissions to company may increase consumers' PEB intentions.

### Key Contributions

This study demonstrates an effective PEB strategy in the context of a PSA on product evaluations. Even though it might seem that the most effective way to promote consumers to be more involved in PEB would be to highlight their own responsibility, our results show that this direct form of appeal may produce an adverse effect. Our findings indicate that marketers may need to take extra caution when appealing to consumers' sense of responsibility in an explicit form, especially when consumers are more prone to feeling guilty about their actions.

Another factor to consider is the low issue proximity of climate change and PEB's in general. When promoting PEB within the context of international marketing, marketers may consider demonstrating how climate change can directly influence individuals.

*References are available on request.*

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# Exploring Consumer Perceptions of Environmental Packaging in the Context of an Emerging Market

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**Keywords:** *environmental packaging, consumer perception, consumer consideration, sustainable packaging, environmental dimensions*

**Description:** *A qualitative study, using focus group methods, was conducted to explore consumer perceptions of environmental packaging in Vietnam with the aim to understand consumer expectations for environmental packaging and consumer consideration with regard to purchasing behavior in the packaged food product category.*

## EXTENDED ABSTRACT

### Research Question

As pointed out by Crié (2015), environmental packaging has never been a clear concept in the literature on consumer behavior. Researchers have used different terms to indicate environmental packaging, such as sustainable packaging, green packaging design, sustainable design, eco-design, and environmentally conscious design. It is, therefore, necessary to establish a good understanding of how an average consumer perceives environmental packaging.

The research context is Vietnam as an emerging market with nearly 95 million people. Given the rapid emergence of consumerist lifestyle (de Koning *et al.*, 2015), new consumption patterns towards convenient packaged food products make Vietnam an interesting case to conduct investigations into consumer perceptions of environmental packaging. Among packaged food products, instant noodles are very popular, with approximately 5 billion packets consumed a year (Euromonitor, 2012).

The primary research question is how consumers perceive environmental packaging, given the context of packaged instant noodles. To be more specific, what do consumers perceive to be environmental packaging? This study considers packaging as a communicating object and aims to answer the subsequent research questions: What are consumer expectations for packaging to be considered environmentally friendly? What dimensions of environmental packaging are important to consumers when it comes to purchase behavior?

### Method and Data

A phenomenological approach was chosen and purposive sampling was utilized, with six focus group discussions conducted. Each focus group had six active consumers. The focus groups were arranged in relevant age groups so that participants would find it comfortable to share experiences and express their opinions. Three focus groups were conducted in Ho Chi Minh City, and three in Hanoi. Discussions were recorded and transcribed.

The coding phase was conducted in an inductive manner. Attention was paid to expressions provided by participants about dimensions of environmental packaging in their understanding and their expectations. The first list of concepts emerged with twenty-two items. Items with low semantic meaning and low face value were deleted. In total, ten items were removed to create a refined list of twelve items. Then, the twelve items were organized into three main categories based on their relationships with the key concept of environmental packaging. These three categories are labeled environmental dimensions, technical dimensions and commercial dimensions.

### Summary of Findings

In consumers' perceptions, environmental packaging is one that is nontoxic and safe, biodegradable, reusable and recycled, easily decomposed and made from natural source materials. Paper-based and biodegradable packaging are considered as environmentally friendly yet might not sat-

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isfy consumer expectations in terms of market attractiveness at point of purchase. Environmental packaging should also meet consumer criteria in terms of cost and protective performance. These consumer expectations reflect only four of the eight characteristics of sustainable packaging defined by the Sustainable Packaging Coalition@2011. Consumer expectations for environmental packaging in terms of aesthetics and affordability were highlighted in purchase decisions.

While a majority of consumers do not show a high level of willingness to pay more for environmental packaging, a few express some willingness and the urgency of having environmental packaging in the market. These consumer insights indicate a mixed tendency to progress towards sustainable consumption in consideration of affordability and availability of environmentally friendly packaging options. This finding suggests that different behavioral segments exist in the market, and it might be useful to do further study into consumer segmentation in terms of sustainable purchasing with regard to environmental packaging.

### **Key Contributions**

This study adds to the emerging literature on consumer perception of environmental packaging. The consumer-led tax-

onomy of environmental characteristics of packaging leads to a consumer definition of environmental packaging in the context of an emerging market. Consumers show diverse perceptions of environmental packaging; yet, their understanding of environmental packaging is limited and more related to disposal issues (such as biodegradability, recyclability, reusability), and to commercial criteria (such as market performance in terms of cost and aesthetics).

The results of this study can offer practical implications for managerial decisions in terms of product packaging and marketing communication. Packaging managers can use the key dimensions of environmental packaging brought up in this study as useful input for their packaging design strategy. As consumers are more concerned about disposal issues and commercial criteria, packaging should be developed, taking into account not only environmental consequences of packaging but also market performance in terms of cost and aesthetics. It is also important for brand managers to focus on the aesthetic, healthy, and environmentally friendly characteristics of packaging for product choice and to communicate the convenience of packaging disposal for postpurchase processes.

*References are available on request.*



# Part H

## Managing Human Capital for Better Marketing and Sales

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# Flipping the Classroom with Trade Tales: Creative Nonfiction Writing and Theatre Productions of Customer-Marketer Interactions

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**Keywords:** *andragogy, buyer, creative writing, marketing theory, seller, service associate, storytelling*

## EXTENDED ABSTRACT

This study describes creative nonfiction storytelling and in-class theatre productions of the tales as learning modules for advancing students' knowledge, skills, and insights of marketing-buying theory and practice. This study presents the learning theory, procedures, tactics, and learning outcomes from a wide-ranging (involving students and their instructors in seven universities across four continents), five-month long student creative writing and theatre "showings" projects. The projects focus on learning-by-doing in the processes of nonfiction storytelling creations and drama enactments by trainees as ways of individualizing

learning and developing high-order thinking-doing skills. By creating dialogues among participants in these reports, many of these trade tales are convertible into short theatrical plays which are suitable for in-class productions. The creations of marketer-buyer dialogues-in-context and productions achieve dramatic impacts on engaging students in learning marketing principles and how marketing-buying encounters end well, and sometimes badly, and the long-run effects of both outcomes.

*References are available on request.*

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# Distributor Stewardship in Channel Relationships

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**Keywords:** *agency theory, stewardship, distribution channel, intrinsic motivation*

**Description:** *The paper deals with introducing the concept of stewardship orientation to channel literature.*

## EXTENDED ABSTRACT

### Research Question

Distribution channel relationships can often be characterised as principal-agent relationships. In such relationships, one party (the principal) depends on another party (the agent) to perform certain functions and accomplish certain objectives on its behalf. Essentially manufacturer firm acts as the principal and distributor acts as the agent.

Channel literature has a long tradition of utilizing agency theory as a theoretic lens to explain such principal-agent relationships. An essential assumption of agency theory is that agents have interests which are different from those of their principals (interest divergence) and principals have imperfect information about their agent's contribution (information asymmetry). A major agency problem in such a situation is thus to determine whether the self-interested agents will be acting "in a manner consistent with the principal's goals." To overcome this problem, agency theory suggests two measures. First, the principal can structure agent's incentives in a manner that will align latter's interests with the former. Second, the principal can reduce information asymmetry by monitoring agent's activities. An important question that arises here is whether these efforts will be successful. Unfortunately, the available research—conducted in a variety of marketing contexts, such as personal selling and sales management, marketing channels, and new product development—provides no clear answer. For example it has been observed that incentives do not often work as intended and agents do not always respond to them in a positive manner, a situation referred to as incentive dilemma. Similarly monitoring and control has been both positively and negatively linked to performance. These contradictory findings highlight a significant theoretical gap suggesting suggest that agency-based prescriptions of moni-

toring and incentivizing may not always work. They may only fit a particular context of exchange or may also be contingent on various contextual factors. To account for this theoretical gap we argue that one reason probably responsible for some of these contradictory findings may be the assumption of misaligned goals between agents and principals, and consequently the self-interest seeking behavior of agents which arises because of these misaligned goals. As posited by Davis, Schoorman, and Donaldson, (1997) agents in certain situations are not motivated by individual goals, but rather behave as stewards whose goals are aligned with the objectives of their principals. To address this research problem we relax the agency theory assumption of misaligned goals between distributors (agents) and manufacturers (principals). In line with Gilliland and Kim, (2014), we propose that in channel relationships, distributor firms instead of acting as agents, may sometimes act as stewards whose goals are aligned with the objectives of their manufacturer principals. As such they will be intrinsically motivated to act in the best interest of their principals.

However, when it comes to governing and motivating such organisationally centered channel stewards (distributors), frequently used prescriptions based on agency theory, like monitoring and incentivizing, may not work. As noted by Lee, Neill, and Carolina, (2003, p 212) "in some instances, agency-based prescriptions applied to stewards may have no material impact on performance outcomes." Also as suggested by Lane, Cannella, and Lubatkin, (1998, p. 212) "predictions of agency theory are unsupported in instances when managerial interests do not clearly conflict with those of stakeholders." This necessitates the need for an alternate perspective to understand and govern such intrinsically motivated channel stewards (distributors) whose interests

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are aligned with those of their manufacturers and consequently who are willing to put manufacturer interests first as against to their self-interest seeking behaviors.

### **Key Contributions**

In line with Aßländer, Roloff, and Nayır, (2016) and Gilliland and Kim, (2014), we believe that stewardship theory offers an all-important and new perspective on understanding such stewards. We propose that stewardship theory can help in developing an understanding of mechanisms which can motivate distributors to follow stewardship oriented practices like forgiving self-interests and giving preference to manufacturer interests. This will turn extrinsically motivated agents into intrinsically motivated stewards who will be willing to align their interests with their principal firms and work for their long term benefits.

The underlying notion for this research is that, as it is impossible for all kinds of manufacturer-distributor dyadic relationships to breed stewardship oriented practices on its own, having a good understanding of antecedents and situational mechanisms leading to the development of stewardship behaviors in channel relationships is of utmost importance.

To the best of our knowledge, literature is not clear on how and under what circumstances distributor firms (agents) will act as stewards of their manufacturer firms (principals). In other words what factors will intrinsically motivate distributor firms to behave in ways that are consistent with their manufacturer objectives and work towards their long term benefits is unexplored.

To account for this theoretic gap and drawing from stewardship literature in organisational studies, we introduce the concept of stewardship behaviour/orientation to channel literature and define it as “the inclination of distributor firms towards behaviours which promote long term success of their manufacturer firms, rather than towards their short term self-interest seeking behaviours.” We extend Aßländer, Roloff, and Nayır’s (2016) exploratory work and develop and aim to empirically test a framework that establishes antecedents of distributor stewardship behaviour. With these aims in mind we also respond to Gilliland and Kim’s (2014) call of developing a deeper insight into the understanding of channel relationships using stewardship theory.

*References are available on request.*

# Grafting the Knowledge of Chief Marketing Officers (CMOs): The Key to CMO Impact on Firm Performance?

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*Vishag Badrinarayanan, Texas State University*

*Robert E. McDonald, Texas Tech University*

**Keywords:** *CMOs, knowledge grafting, strategic flexibility, firm performance*

**Description:** *On the foundations of knowledge grafting theory, this research investigates how CMOs impact firm performance.*

## EXTENDED ABSTRACT

### Research Question

From a position touted to be in great peril (Boyd, Chandy, and Cunha 2010), CMOs are slowly growing into the role of contributing significantly to firm strategy. While the average CMO tenure has almost doubled to 46 months since 2006 (Leininger and Carpenter 2013) and there is emerging evidence that CMOs do matter to firms (Germann, Ebbes, and Grewal 2015), *how* CMOs impact firm performance still remains unexplored. Therefore, in this research, on the foundations of knowledge grafting theory (Huber 1991; Madhavaram and McDonald 2010; Nag, Corley, and Gioia 2007), we investigate *how* CMOs can impact firm performance. The foundational premise of knowledge grafting theory is that, facilitating the integration of new knowledge (of CMOs) can lead to superior outcomes (e.g., firm performance) through synergistic knowledge growth (Madhavaram, Badrinarayanan, and McDonald 2010). Accordingly, we investigate the following question: how can firms, through knowledge grafting, facilitate the impact of CMOs on firm performance?

### Method and Data

Data were collected using the services of a reputable commercial vendor of respondent panels and mailing lists. Consistent with the objectives of this research, the provider was contacted to secure responses from a panel of CMOs. Given

that organizations differ in the title assigned to the CMO function, we mirrored prior studies (e.g., Nath and Mahajan 2008) and qualified respondents based on presence in their organizations' top management team with a "marketing" title and knowledge about their organizations' culture, strategic imperatives, and competitive environment. Overall, we collected data from an online survey of 248 CMOs. The proposed hypotheses were tested using structural equation modeling with Mplus 7.3.

### Summary of Findings

The findings of this research suggest that firms can improve the impact of CMOs by facilitating the *integration* of the new knowledge brought in by CMOs, and ensuring that their *reconfiguration* and *transformation* efforts contribute to the strategic flexibility of firms. Reconfiguration of a firm's knowledge by CMOs is positively influenced by the firm's knowledge-oriented culture and knowledge integration mechanisms. Transformation of a firm's knowledge by CMOs is positively influenced by the firm's knowledge-oriented culture and inter-functional connectedness. Both reconfiguration and transformation of knowledge positively influence a firm's strategic flexibility, which in turn, positively influences strategic and financial performance. In summary, both CMO success and firm performance are predicated on the extent to which the firm supports effective knowledge grafting.

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## **Key Contributions**

To marketing theory, this study contributes by extending the nascent literature on CMO success. Drawing from knowledge grafting theory, this research examines firm-level factors and activities of CMOs that facilitate knowledge integration and superior firm outcomes. This study is also the first to examine the antecedents and consequences of knowledge reconfiguration and knowledge transformation by CMOs. To

marketing practice, this study offers evidence to strengthen the importance of CMOs for firm performance and identifies critical factors that firms can activate to benefit from new knowledge brought in by CMOs. Importantly, this study cautions that firms must assess whether they offer a conducive environment for CMOs to flourish before hiring CMOs.

*References are available on request.*

# Evaluating the Human Capital Requirements for Graduate-Level Marketing Roles

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## ABSTRACT

To explore industry requirements, content analysis was applied to 943 U.S. marketing job advertisements from 2012–2016. The most common requirements are reported, and some (“outgoing personality” and “attention to detail”) had not been evident in prior research. Of most interest is that many advertisements did not mention marketing education and/or knowledge.

**Keywords:** *industry needs, marketing education, marketing jobs, skills, graduates*

**Description:** *Job advertisements relevant to marketing graduates were analysed to identify skills and knowledge commonly sought by industry.*

## Introduction

A positive relationship between human capital (employees’ knowledge, skills, and abilities) and firm performance is well established, and it is recognized that the people of an organization have a direct link to competitive advantage (Burton-Jones and Spender 2011). In the past, to obtain human capital, larger employers recruited talent mostly through entry level jobs, while internal promotions were the main source of higher level staff (Hamori et al. 2011). In those days, employers invested substantially in developing internal talent through training programs (Hamori et al. 2011). However, since the 1980s there has been a significant shift in recruitment practices, with more emphasis on sourcing skills from the outside labor market (Hamori et al. 2011). Ertekin suggests that, “Businesses want to forgo the spending of hundreds of thousands of dollars to teach ... professional skills, and they are expecting college graduates to possess them as a condition of employment” (2007). However, it is unfair to consider it simply a matter of avoiding training expenses—the rapid pace of change in the business environment makes it both more efficient and effective to recruit human capital that can make an immediate contribution to the organization (Bennett 2002). It can also be argued that competitiveness between organizations drives demand for more skilled staff (Vander Schee 2016). Alongside (and, in part as a result of) the shift in human capital management strategies, the higher education sector has given increasing

emphasis to the knowledge and skills of graduates<sup>1</sup> and their capacity to obtain employment (for example, see Treleaven and Voola 2008). Yet, despite the increased focus on employability, authors continue to assert that a gap exists between industry needs and the skills of marketing graduates (for example, Cicic et al. 2007; Ertekin 2007). The current research contributes to resolving this perceived gap through an exploration of the attributes that employers identify as relevant for entry-level marketing positions.

## ***The Value of Research into Human Capital Requirements***

The value of research into industry needs can be supported on the basis of enabling employability skills to be better addressed in the curriculum (Bennett 2002), with the expectation that this assists graduates in securing jobs (Cicic et al. 2007). It is argued that, in the highly competitive U.S. job market in particular, there are advantages for graduates from institutions that are perceived to be concerned with employability skills (Vander Schee 2016). An “employability skills approach” to tertiary education is accepted to such a level that it is specified in many government and accreditation requirements (AACSB 2016; Sampson and Betters-Reed

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<sup>1</sup>In this paper, “employability skills” will be used to cover both “disciplinary knowledge” and “generic capabilities.”

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2008). Thus, embedding employability skills into the curriculum it is now an integral part of the landscape of higher education. Furthermore, a marketing orientation would require higher education to monitor the needs and preferences of stakeholders, and respond with relevant value propositions. Brooks, Rudd, and Tarabek argue that, for marketing educators, "...being truly excellent means being truly 'market driven'" (2008).

### **Background to the Current Study**

Many studies have been carried out into employers' expectations of graduates, using varied approaches, including: surveys of employers; surveys of students and faculty; curriculum analysis, and analysis of job advertisements (Gray et al. 2007; Rosenstreich et al. 2014). The current project emerged from a need to support curriculum design decisions with more information on the types of jobs in the marketplace, and employers' requirements for those jobs. It was also necessary to explore how rapidly the job market changes given the time lag between curriculum change and the first graduates emerging with a new skill set. These considerations led to the formation of the following research questions:

RQ1: What employability skills are needed for graduate level marketing jobs?

1a: Do those requirements vary by industry sector, country, or over time?

RQ2: Which industry sectors recruit more frequently for graduate-level marketing positions?

2a: Does that vary by country, or over time?

It was determined that a content analysis of online job advertisements would enable efficient and effective data gathering to address the two research questions. Further explanation of this approach is outlined in the following section.

### **Use of Job Advertisements to Research Human Capital Requirements**

The processes for recruiting human capital have evolved over the last 20 years, notably through the availability of online recruitment which makes it cheaper to advertise positions, and enables job information to be fuller and more accessible than in the past (Hamori et al. 2011). Job advertisements are used by employers to signal (to potential employees and the public) what is most important to them. As Bennett confirmed empirically, the "mention of particular personal skills in a job advertisement implies that they are genuinely valued by the employer and that the decision to cite them was arrived at systematically" (2002).

Content analysis is a well-established methodology (Krippendorff 2012), and has been applied to job advertisements

in many disciplines, including marketing (Estima and Duarte 2016; Schlee and Harich 2010; Wellman 2010). In their review of content analysis of job advertisements, Segal et al. (2009) noted many advantages, and concluded that it is an effective method for determining employer needs and monitoring trends in the marketplace.

### **Methodology**

Entry-level marketing job advertisements were downloaded between 2011 to 2016 from online job sites covering U.S.A. and Australasian vacancies. The U.S.A. results are the focus of this paper, and the bulk of those jobs were downloaded from the Monster job site. Searches using the keywords "marketing" and "graduate" produced the best results but additional searches with other terms (for example, brand, supply chain, sales, business development) were carried out to check that relevant positions were not missed. Multiple downloads were carried out each year to minimize seasonal effects. All jobs were reviewed by senior marketing academics to ensure they were suited to a recent marketing graduate. The data were cleaned to remove duplicates, internships and part-time positions.

The content analysis was carried out within QSR Nvivo software for convenient storage and retrieval of data. The coding was completed by applying inductive thematic analysis, where researchers develop themes from the data without any effort to make them fit or match a preexisting frame or list of concepts (Braun and Clarke 2006). The country, date, job title, and industry sector were recorded; and the parts of the advertisement that related to position/applicant requirements (essential and desirable) were coded into themes. Space constraints prevent a full description of the processes used for derivation and checking of the themes and inter-coder reliability, but the processes were consistent with or exceeded recommended best practice (for example, Mayring 2004).

The analysis completed thus far has utilized Nvivo for descriptive statistics, and SPSS for tests of independence/association (Pearson Chi-Square statistics and Cramér's V). Cramér's V was selected due to its ability to measure associations directly from the calculated chi-square statistic (Rea and Parker 2014). A larger Cramér's V indicates a stronger association but does not indicate the direction of the relationship (Malhotra 2010), therefore the raw data and scatterplots were reviewed to determine the nature of relationships. In interpreting Cramér's V, the following guidelines were applied: 0.00–0.10 is a negligible association; 0.11–0.40 is a weak to moderate association, and 0.41–1.00 is a strong association (Rea and Parker 2014).

### **Results**

Table 1 shows the 15 most commonly requested skills from the 943 U.S.A.-based job advertisements. More than half of

all advertisements included a requirement for a personality type which was labelled in the coding as “Go getter” to capture the various words employers used to describe their preference for competitive and self-motivated candidates. From the marketing discipline knowledge requirements, only “Sales” appeared in the “top 15” list, with almost a quarter (24.2%) of the marketing jobs analyzed mentioning some degree of familiarity with sales as a desirable attribute for applicants.

Only 52.7% of the jobs mentioned any marketing knowledge as an essential or desirable requirement. The specific disciplinary knowledge that was mentioned in those advertisements was coded into 22 subnodes as shown in Table 2. Only Sales, Service/Customer Service, and General Marketing Knowledge appeared regularly. Given that close to half of the advertisements made no mention of disciplinary knowledge, it was important to check whether organizations may have taken it for granted that graduates would have relevant disciplinary knowledge. The job advertisements were therefore analyzed to identify what educational requirements the employers had noted. 773 of the U.S. jobs mentioned an educational background for applicants. 57.4% of those 773 jobs mentioned an undergraduate/bachelor degree but didn’t specify in what area, and a “business” degree was mentioned in 14.4% of jobs. A marketing degree was mentioned in only 19.5% of the advertisements, while a degree in a “related field” (statistics, psychology, communications) was men-

tioned in 17.6% of the advertisements. Small numbers of positions required postgraduate study (1.8%) or “some college” (0.1%).

Table 2. Disciplinary Knowledge Subnodes in the U.S Job Advertisements

### Associations Between Variables

In the analysis conducted thus far, tests of association have been conducted on the full dataset of 2432 jobs (including both the U.S. data and the Australasian data). A large number of significant associations were found between the dates of the job advertisements and other variables; however, in most cases the relationships were weak. There were a small number of moderate associations found (in all cases,  $p < 0.000$ ,  $n = 2432$ ,  $df = 5$ ): There was a significant change in the number of jobs that were in the Services sector across the 6 years studied, with a moderately strong association evident ( $\chi^2 = 380.387$ , Cramér’s  $V = 0.395$ ). This reflected an increase in the proportion of service industry positions from 2014 onwards. There was also significant association between the year and the jobs that specified “thinking on your feet” as a required skill ( $\chi^2 = 112.612$ , Cramér’s  $V = 0.215$ )—although it was only a moderate relationship, more recent advertisements were more likely to contain this requirement. A similar relationship was evident between the year and jobs that specified that MS Excel as a required skill ( $\chi^2 = 112.698$ ,

**Table 1.** The 15 Most Common Employer Requirements in the U.S. Job Advertisements

Employer Requirement	% of all U.S. jobs n = 943
Go-getter, ambitious, competitive, high achiever, play and work hard, self-starter, driven	52.4%
Written communication, exceptional written skills, writing talents	38.4%
Oral communication, verbal, articulate,	34.5%
Professional attitude, responsible, mature, integrity, pride in work, work ethic, reliable	31.6%
Team work, team player, part of a team, team orientation, cross functionally, collaborative	30.9%
Organization skills: general, coordination, planning, prioritizing	29.9%
Communication skills: general, good communicator, great communication skills	27.5%
MS Office, Excel, Word, Project, PowerPoint, Outlook, Publisher	26.8%
Interpersonal skills, rapport, people skills, relationship building	25.8%
Adaptability, flexible, manage change, willingness to learn	25.1%
Sales, sales acumen, account management, lead generation, close deals, prospecting	24.2%
Task management, multitask, complete tasks, juggle tasks	22.3%
Able to work independently, work autonomously, work unsupervised, self-directed	22.0%
Outgoing bubbly personality, “people person,” fun, friendly, sociable, charismatic	21.8%
Attention to detail, eye for detail, detail oriented, accurate	21.0%

**Table 2.** Disciplinary Knowledge Subnodes in the U.S Job. Advertisements

Disciplinary Knowledge Subnodes	% of US jobs n = 943	Disciplinary Knowledge Subnodes	% of US jobs n = 943
Sales	24.2%	Events	2.1%
Service/Customer Service	20.1%	Logistics	2.0%
General Marketing Knowledge	17.8%	B2B	1.9%
Marketing Communications	9.4%	Market Analysis	1.2%
Online	5.1%	FMCG	1.0%
Social Media Marketing	4.8%	Direct Marketing	0.8%
Retail	4.7%	Pricing	0.7%
Product and Brand	3.9%	Customer Behavior	0.6%
Market Research	3.7%	Segmentation	0.3%
Customer Focus	2.8%	Not-for-Profit	0.2%
CRM	2.2%	Sports Marketing	0.1%

Cramér's  $V = 0.215$ ), and again, this requirement was less common in the older advertisements. There was also a significant variation in the number of jobs that specified that a professional attitude was desired, with employers requesting this attribute more often as the years went on ( $\chi^2 = 103.568$ , Cramér's  $V = 0.206$ ).

The review of associations between country and other variables also produced many significant results, but most were very weak with Cramér's  $V < 0.10$  (in all cases,  $p < 0.000$ ,  $n = 2432$ ,  $df = 1$ ). However, a moderate association was found between country and "leadership" as a desirable skill—U.S. employers were more likely than their Australasian counterparts to specify leadership ( $\chi^2 = 161.660$ , Cramér's  $V = 0.258$ ). Several weak to moderate associations were evident, including that U.S.-based employers were less likely than their Australasian counterparts to request "good communication in general" ( $\chi^2 = 38.006$ , Cramér's  $V = 0.125$ ); and "relationship management" ( $\chi^2 = 457.91$ , Cramér's  $V = 0.137$ ). On the other hand, U.S.-based employers were more likely to mention "service or customer service" ( $\chi^2 = 37.984$ , Cramér's  $V = 0.125$ ); "project management" skills ( $\chi^2 = 33.817$ , Cramér's  $V = 0.118$ ,  $n = 2432$ ); "problem solving" ( $\chi^2 = 28.557$ , Cramér's  $V = 0.108$ ); and "task management" ( $\chi^2 = 27.749$ , Cramér's  $V = 0.107$ ).

## Discussion and Conclusions

The results presented reflect the preliminary analysis carried out on a large and growing dataset of advertisements for graduate-level marketing jobs. The data analyzed so far provides part of the answer to the first research question, by revealing the employability skills that feature in U.S.A. mar-

keting positions. The results confirm the ongoing importance of many of the generic skills previously identified in the literature, with a "go getter" attitude, communication skills, teamwork, and interpersonal skills featuring strongly in this study and in others. However, some employability skills common in the literature were not as evident in the job advertisements: "Numeracy" and "Financial" skills are noted in many literature sources but each appeared in only 3% of the U.S. advertisements in this study; while skills related to being "Ethical, honest, aware of social responsibility" are common in the literature but were not found in any of the advertisements. Conversely, in this study, an "Outgoing personality," and "Attention to detail" were among the most common attributes listed for the U.S. marketing positions, whereas neither is discussed often in prior research.

Many areas of disciplinary knowledge were rarely mentioned in the advertisements, but receive much attention in the literature. Furthermore, only a fifth of the advertisements mentioned a degree in marketing (as opposed to other fields of study). These findings together raise questions as to the perceived value of marketing knowledge in the minds of employers. The strong showing of "Sales" and "Service/customer service" in the advertisements may also warrant further investigation by institutions that have moved their curricula away from these areas. On the other hand, generic "Analysis" skills (14%), "Market research" (4%), and "Market analysis" (1%) were not commonly mentioned in the advertisements, but often feature in marketing curricula and research into core disciplinary knowledge. These findings relating to the preferences of employers raise some questions that educators should seek to address. However, as we



teach our students, the needs of all stakeholder groups, and long-term benefits to society as a whole, should also be considered when making strategic decisions.

Only very weak associations between most employability skills and the year of the advertisement were found, with only a few skills (“Thinking on your feet,” “MS Excel,” and “Professional attitude”) showing a moderate effect over time. Similarly, weak to moderate associations were found between country and “Leadership,” “Good communication in general,” “Relationship management,” “Service or customer service,” “Project management” skills, “Problem solving” and “Task management”. Explanations for these associations are not obvious, and further qualitative work (for example, interviews with employers) would be needed, however, the expense of such investigations may not be warranted given the weak associations found thus far.

The research has several limitations that may impact on validity, such as, the lack of surety that the downloaded advertisements accurately represent industry needs (for example, perhaps the search mechanism omitted or elevated certain types of jobs). However, regardless of whether the jobs analyzed are representative of positions for marketing graduates, the size of the dataset still enables conclusions to be formed about the preferences of a significant number of employers.

The results available from the project so far provide useful insight into industry requirements and also highlight areas for further exploration. As the analysis of the full dataset progresses, there will be opportunities to glean further insights into employer preferences, and also the rate of change in industry human capital needs. The dataset will also facilitate development of an automated system for researching industry needs, potentially enabling the marketing discipline to have a “Marketing Information System” to support prompt dissemination of market intelligence. However, regardless of the degree of automation applied, for as long as “marketing” is at the core of “marketing,” ongoing monitoring of employer preferences (alongside data from other stakeholder groups) needs to remain a priority for the discipline.

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# Momentum in Sales Performance

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**Keywords:** *momentum, sales performance, clumpiness, social effect, temporal*

**Description:** *This study examines existence of momentum in salesperson selling and seeks to understand the role of momentum along with social effects in salesperson performance.*

## EXTENDED ABSTRACT

### Research Question

In practice, sales managers and salespeople believe in the temporal persistence of individual performance, which can be referred as “sales momentum.” This study examines the phenomenon of *momentum* in the sales process and seeks to understand the role of momentum in sustaining sales performance. *Momentum* is defined in the literature as the systematic and sustained trajectory in (sales) performance across a series of sales calls in which the performance is increasing (positive momentum) or decreasing (negative momentum) over time. We first examine the existence of sales momentum and then investigate the role of positive and negative momentum in influencing salesperson performance. Specifically, we study individuals’ performance over period of time to answer four questions:

1. Is there an existence of momentum in the sales performance?
2. If so, does existence of momentum influence success of future sales?
3. What individual and experience factors drive the salespersons’ performance?
4. What is the role of social factors in influencing the sales performance momentum?

### Data and Method

We use a novel disaggregate data of sales calls from two call centers that contains the detailed logs of each outbound sales call over a period of two months. Two call centers differ considerably in the physical arrangement and accommodation

of the agents that enable different degrees of social interactions among the sales agents. This natural experiment helps us examine if there are systematic differences in salesperson performance across the two calls centers due to social factors.

In study 1, we assess the sales momentum using the test of clumpiness following Zhang et al. (2013, 2015). The test of clumpiness examines the patterns of events to identify the sales momentum. However, it does not tell us how having a momentum influences the probability of having a sale. Test of clumpiness also do not allow us to examine whether the salesperson has positive momentum (more sales than no-sales) or negative momentum (more no-sales than sales), but only tells us existence of momentum. In study 2, we additionally examine positive and negative momentum along with other influential factors using logistic regression that examines these variables’ impact on performance.

### Summary of Findings

Our preliminary results indicate that salespersons exhibit clumpy behavior confirming the presence of sales momentum. This momentum is a vital factor in influencing salesperson performance. Positive momentum increases the likelihood of sale while negative momentum decreases the likelihood of sale. Although social setting of sales environment does not directly influence sales performance, it has a significant influence when salespersons are in a negative momentum, but not necessarily in positive momentum. While negative momentum still decreases the likelihood of sale, being in social call center weakens this effect of nega-

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tive momentum. Therefore, it may be suggested that salespersons with tendency to have more negative than positive momentum should be placed in the social call center to optimize their performance.

### **Key Contributions**

To best of our knowledge, this is the first study to undertake the analysis of individual sales performance management with the focus on managing the individual salesperson performance while taking into account sales momentum factors. Existing research ignores the dynamics in sales momentum of salespeople in determining the salesperson performance. In addition to momentum factors that influence sales performance, social factors may also impact the sales performance which we also examine in this research.

Our research has significant managerial implication, especially on managing sales people sales schedule conditional on past outcome, as well as design of the call centers and incentive system. We believe that embedding such models in Decisions Support Systems (DSS) can help manage salesperson performance. Moreover, managers can optimize salesperson performance through appropriate interventions in a timely manner. This research also suggests directions on managing sales force performance by keeping appropriate timely interventions to aid more success and deter failures, and also develop customized training methods that could enable sales agents to boost confidence given the psychological characteristics of the individual.

*References are available on request.*

# The Specialist Referral Effect: Referring Customers to Competitors to Increase Deal Acceptance

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**Keywords:** *referrals, persuasion, social influence, negotiation, reciprocity, buyer–seller interactions*

**Description:** *A seller's referral of a competitor for a nonfocal product can increase the seller's sales of a focal product.*

## EXTENDED ABSTRACT

### Research Question

At first glance, it may seem unwise for a salesperson to refer a consumer to a competitor. Indeed, prior research has found that referring consumers to a competitor that can offer better price terms does not help the focal salesperson's bottom line (Arbatskaya and Konishi 2012), and referrals can exert negative effects on consumers' likelihood of purchasing the product from the seller offering that referral (Verlegh et al. 2004). Prior research has also established that salespersons should only refer a competitor if they cannot access or sell a desired item. But there may be a difference between referring consumers to a competitor that sells a focal product and referring consumers to a competitor that sells other, nonfocal products. This distinction is important because many stores specialize in particular product lines while also carrying accessories or complementary products. These specialists may be price competitive on their focal products but less so for the nonfocal products. For example, an electronics retailer might have competitive prices on televisions but charge relatively high prices for HDMI cables; and a mattress store may provide the best prices on mattresses but not on bed frames, while a furniture store achieves the best prices on bed frames but not on mattresses. We examine the effect of sellers' referring consumers to a specialist competitor, i.e., giving a *specialist referral*, for a nonfocal product on those consumers' willingness to buy a focal product from the seller.

### Method and Data

We use experiments to show the effectiveness of specialist referrals. In Study 1, we seek to establish the effectiveness of specialist referrals for increasing deal acceptance for a discounted focal product in two different product categories (running shoes, paintings). In Study 2, we show that both components of the specialist referral are necessary; neither acknowledgement of the specialty nor a competitor referral alone is sufficient to increase deal acceptance. We conduct this study in a third store type (mattress store). Finally, in Study 3, we show that the effect operates by influencing perceptions of reciprocity, which increases deal acceptance both directly and by increasing consumers' confidence that they have obtained the lowest price from the seller. These studies are conducted online on Amazon MTurk.

### Summary of Findings

This paper shows that providing a specialist referral is an effective negotiation tactic for sellers that leads to improved deal acceptance; the potential threat of lost revenue due to this referral does not materialize. At the moment the seller presents a consumer with a price discount (i.e., a deal) on a focal product, the seller can increase deal acceptance by referring that consumer to a competitor that specializes in a nonfocal product (who is selling the nonfocal product at a lower price). For example, a salesperson at a mattress store who offers a price deal on a mattress might refer the consumer to a special-

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ist competitor that sells bed frames at a discount. We show that this referral increases consumers' willingness to purchase the mattress from the referring salesperson. In particular, we find: (1) the effect of a specialist referral holds across a variety of product categories, each at different price points (painting gallery, mattress store), and (2) that it operates through perceptions of reciprocity and increased consumer confidence that they have obtained the lowest price.

### **Key Contributions**

We make two key contributions: First, to the referrals literature that has largely focused on consumer-to-consumer referrals, we present the specialist referral, in which a seller refers a competitor to the consumer. We show that when a

seller makes a specialist referral, the benefit to the receiver (i.e., consumer) is reduced information search costs (the same as in consumer referrals), and the benefit to the seller stems from a shift in perceptions of the relationship, from an exchange to a reciprocal connection, which leads to increased deal acceptance. Second, for salespersons, we present a sales tactic that allows the seller to assure the consumer that she or he is getting the lowest price possible and thus close the deal. Giving specialist referrals also allows salespersons to use the information they have about competitors and their prices to increase their own sales, in a manner that does not require them to reduce their price.

*References are available on request.*

# Why Helping Peers Does Not Always Make You Poor: The Contingent Role of Common and Unique Position Within the Sales Unit

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**Keywords:** *individual-within-the-unit, helping behavior, sales units, unit structure, common position, unique position*

## EXTENDED ABSTRACT

### Research Question

The objective of this study is to shed light on how sales unit composition leverages individual members' position and performance in frontline work units. Relevant questions are:

1. Do experienced salespeople (novices) act differently toward peers in units dominated by novices than in those dominated by experts?
2. How does sales unit composition affect their performance?

### Method and Data

This study collected multilevel survey and secondary data and tested hypotheses by estimating a multivariate hierarchical linear model consisting of a system of two equations (i.e., one equation with helping as a dependent variable and a second equation with sales performance as a dependent variable), using MLwiN software.

### Key Contributions

This study proposes a new hybrid individual-within-the-unit measure that helps managers properly evaluate individual members' positions within the unit. The authors demonstrate its efficacy using a multisource, multilevel empirical study in a sales unit setting.

### Summary of Findings

In recent years, many companies have implemented sales and service units as a way of streamlining accountability and promoting the development of expertise. The success of such

units depends on individuals' willingness to help peers because, inevitably, some individuals' performance within the sales unit is suboptimal. Knowledge about the composition of the sales unit is critical to accurately assess and maximally leverage an individual salesperson's position, stimulate helping behavior, and improve own effectiveness. However, current measures of individual position have not sufficiently accounted for it. Therefore, this study proposes a new hybrid individual-within-the-unit measure that helps managers properly evaluate individual members' positions within the unit. The authors demonstrate its efficacy using a multisource, multilevel empirical study in a sales unit setting. More specifically, they show that job experience position, which accounts for (1) individual salesperson's relative level of job experience and (2) the distribution of the levels of job experience within the sales unit, has a contingent impact on the unit identification–helping–own performance chain. The results highlight the important role of job experience position: if a salesperson's level of job experience is common to the work unit, it activates identification as a driver of helping but negatively influences the effect of helping on own performance; conversely, if a salesperson's level of job experience is unique to the unit, it does not activate identification, but it does positively influence the effect of helping on own performance. The authors discuss implications for theory and practice on how to optimally steer individual salespersons' helping behavior and own effectiveness in a sales unit.

*References are available on request.*

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# The Influence of Brand and Organizational Identification on Sales Employees' Responses to Rebranding: Implications for Sales Employees' Motivation and Performance

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**Keywords:** *rebranding, brands, sales employees, organizational identification, brand identification*

**Description:** *This paper examines sales employees' responses to rebranding.*

## EXTENDED ABSTRACT

### Research Question

The present work addresses sales employees' responses to rebranding by first examining the effect of perceptions of rebranding degree (i.e., rebranding intensity) on challenge oriented motivation and sales performance downstream. We also explore two moderators that may interact with sales employees' perceived rebranding intensity, namely, brand and organizational identification.

### Method and Data

We administered a survey at a U.S.-based Fortune 100 company in the telecommunications industry, and we collected data from its technical sales force. All sales employees invited to participate in our survey experienced the most recent rebranding at the telecommunications firm.

### Summary of Findings

Interestingly, brand identification as a moderator of the impact of rebranding intensity on sales employees' challenge oriented motivation reveals an opposite pattern of

effects in comparison to organizational identification as a moderator.

### Key Contributions

We attribute our findings to a fundamental theoretical difference between brand and organizational identification. In particular, brand identification for sales employees is related to defining the self with a brand from a personal level, while organizational identification for sales personnel is related to defining the self with a brand (i.e., a firm) from an organizational level.

Firm managers will have to balance the desires of sales employees with high and low brand identification, as well as those with high and low organizational identification, when undergoing a rebrand. Clearly, senior management will need to provide training to ensure that all sales employees are representing the brand consistently to customers.

*References are available on request.*

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# Brand Leadership: Driving Market Orientation

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**Keywords:** *market orientation, brand management, brand community, leadership*

**Description:** *This research explores how a brand leader's use and engagement with a brand facilitates a higher level of market orientation.*

## EXTENDED ABSTRACT

### Research Question

Market orientation is a strategic position of a firm to put the needs and wants of a customer first. Firms and brands that are market oriented are better able to connect with customers, and have a higher likelihood to produce innovative product offerings that drive value with customers. Past research on marketing orientation has set out to clearly define the theoretical construct as well as accurately measure it within organizations. Additionally, research has looked at the outcomes of being market oriented such as profitability and other variables which effect market orientation such as competition. Much research has explored the firm-side drivers of the construct, external influencers, and outcomes, little work has focused on the internal culture, behavior, and attitudes of the organization. Research has shown that a firm culture which emphasizes learning, open-ness and innovation help drive a greater capacity for change; yet very little research explores the individual behaviors and attitudes of brand leaders which help drive market orientation. This paper explores leader attitudes and behaviors such as work engagement, shared values, hope, and participation with a brand community as drivers of market orientation.

### Method and Data

Data was collected using an online survey which targeted brand leaders within the consumer goods (durable and non-durable) industries. 696 Surveys were returned for a 23.6% response rate. After mining for missing data, we eliminated 31 surveys because there were 10% or more missing items. We ending with 664 (71% male) completed surveys. Using structural equation modeling in AMOS 23, the model exhibited good fit values with  $p = .002$ , CFI = .989 and RMSEA = .054. Additionally the model is significant ( $F = 124.55$ ,

$p < .001$ ), and has strong predictive power with  $R^2 = .44$  and  $R^2_{adj} = .43$ . Additionally, to explore the model relationships further, we conducted mediation testing.

### Summary of Findings

Our model shows that a managers level of shared values with a firm ( $\beta = .404$ ,  $p < .001$ .) has a positive effect on market orientation. Additionally when a manager participates in a brand community for the brand which the manage ( $\beta = .404$ ,  $p < .001$ ) has a significant relationship to market orientation. Further analysis also shows an indirect effect of hope and work engagement on market orientation through brand community. As levels of hope ( $\beta = 0.026$ ,  $p < .05$ ) and work engagement ( $\beta = .139$ ,  $p < .001$ ) increase, the likelihood to participate in a brand community increases and in-turn market orientation increases. Also, a partial mediation exists of the relationship of shared values and market orientation by participation in a brand community ( $\beta = .234$ ,  $p < .001$ ). The direct effect of shared values decreases when brand community is present in the model. These results imply that as a brand leader is increasingly involved with the brand they manage as a consumer, the level of the firm's market orientation increases.

### Key Contributions

When brand leaders are engaged with the brands they manage as consumers, the brand management team is more likely to be market oriented. When a firm is more market oriented they are better able to (1) generate knowledge and develop innovations to appeal to current and future consumer needs, (2) communicating knowledge across internal teams, and (3) ensure the organization is executing against the market intelligence.

*References are available on request.*

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# Understanding the Internal Customer Mindset of Indian B2B Salespeople

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**Keywords:** *internal customer mindset, job performance, work motivation, organizational commitment*

**Description:** *This paper examines the role of the internal customer orientation of salespeople and how it can impact the organization.*

## EXTENDED ABSTRACT

### Research Question

This research investigates the concept of Internal Market Orientation by extending the psychological conceptualization of Customer Orientation (CO) to an emerging economy setting by testing internal customer orientation using Internal Customer Mind Set (ICMS) on a sample of Indian B-B salespeople. This study utilizes a measure of internal customer orientation (ICMS) that corresponds with its psychological nature. The primary focus of this study is to examine the role of the internal CO of salespeople and how that might impact the organization.

### Method and Data

This study collected survey data with the help of a market research firm in India. Items used in the study were from established scales. Confirmatory factor analysis was employed to test the measurement properties of the constructs in the study. The goodness-of-fit measures indicate a good overall fit of the model to the data (RMSEA = 0.08, NNFI = 0.98, IFI = 0.98 and CFI = 0.98). Further, tests for common method variance and multicollinearity found no evidence that these issues are biasing the overall results. Finally, discriminant validity and reliability of the constructs show sufficient validity and reliability and allow testing the hypothesized model. After establishing the measurement properties, the relationships between these

constructs were tested within the framework of structural equation modeling.

### Summary of Findings

The fit of the data to the proposed model is quite good: ( $\chi^2_{(160)} = 654.31$ ,  $p < 0.01$ ; RMSEA = 0.08; IFI = 0.98; CFI = 0.98; NNFI = 0.98) and nine of the ten individual hypotheses were supported. The hypothesized model using ICMS explains 86% of the variance in Indian salesperson's supervisor ambiguity, 86% of job satisfaction, 84% of work motivation and 80% of organizational commitment.

### Key Contributions

Internal CO among frontline employees operating in India is best treated as a psychological construct that is indirectly related to performance via its ability to reduce stress and improve engagement. This finding strengthens the view of CO as a universal human work value and, more broadly, that such values operating across different cultural setting do exist. In addition, ICMS appears to offer a superior means to measure CO than does the widely used CO component of the SOCO scale. This conclusion is based not only upon the fact that it conceptually corresponds with the psychological nature of internal CO but also that in this initial examination it exhibits a greater ability to explain employee job performance.

*References are available on request.*

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# Examining the Critical Role of Human Capital Management in Sales Outcomes

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**Keywords:** *human analytics, talent analytics, high performance work systems, high performance work practices, salesperson outcomes, intrafirm relationships*

## EXTENDED ABSTRACT

More than \$20 billion is spent by companies in the U.S. each year to train salespeople in hopes of realizing increased performance (Zoltners, Sinha and Lorimer, 2016). Understanding how to increase performance of salespeople is critical for organizations. Although salespeople play a critical role in the success or failure of organizations, organizations are unable to quantify the broad range of elements that affect the performance of their salespeople.

Within all organizations, people are a critical component of performance (Huselid, 1995). Given this, employees can serve as a source of competitive advantage (Barney and Wright, 1998; Guest, 1997). The realization of this potential competitive advantage largely depends on the strategic decisions regarding which human resource (HR) practices should be deployed within the firm and how such practices are implemented (Becker and Huselid, 2006; Kaufman, 2010). One of the most commonly advocated ways to achieve synergistic effects is through the use of high performance work practices (HPWP) and the creation of high performance work systems (HPWS). A high performance work system is “a system consisting of complementary HR practices that give a firm a competitive advantage” (Chow, 2005, p. 575). High performance work systems provide companies the mechanisms to enhance the performance of its employees.

Over the past two decades, the relationships between a broad range of antecedents and salesperson performance have been a robust topic of inquiry within the literature (Verbeke, Dietz and Verwaal, 2011). This research has demonstrated the

critical impact of varying antecedents on salesperson performance (e.g., Ambrose, Rutherford, Shepherd and Tashchian, 2015; Bolander, Saturnino, Hughes and Ferris, 2015; Shannahan, Bush and Shannahan, 2013; Matthews, 2015). Despite these valuable contributions to our understanding of the factors that influence salesperson performance, the sales literature falls short of holistically considering an expanded set of human management resources and capabilities (e.g., human capital management, high-performance work systems, and talent analytics) as determinants of salesperson outcomes.

Through our conceptual paper, we explore the following research question: What is the impact of strategic human resource practices on salesperson outcomes?

## Key Contributions

This conceptual paper contributes to the Sales and HPWS literature in several ways. First, we propose a positive link between HPWS and sales outcomes. This is a new perspective that examines the role of organizational HR policies on employees of a specific function. Specifically, we argue that high performance work systems support the development of individual level salesperson specific outcomes, commitment, satisfaction, and turnover. Next, we contribute by proposing a positive moderating effect of HR analytics on sales outcomes. However, the level of analytics usage within the firm can impact the actual usage of HR analytics. Finally, we detail the impact of functional and organizational relationships on sales outcomes.

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## Summary of Findings

The proposed research will impact both the Sales and HPWS bodies of literature. Specifically, scholars have emphasized the need to advance knowledge of intervening variables in the HPWS—firm performance relationship (McClean and Collins, 2011). Our research responds to this call by not only looking at the effect of HPWS on sales outcomes, but also moderators. This is important because, in recent years, leading human resource management scholars have emphasized

that human resource capability building through aligning strategy, culture, behavior, and practices has a substantial impact on business performance; yet, it is only performed at a modest level of effectiveness (Ulrich, Younger, Brockbank, and Ulrich, 2013, p. 466). The proposed study should offer insight into the extent to which strategic human resource practices, namely HPWS, can enhance Sales outcomes.

*References are available on request.*

# How Motivation, Opportunity, and Ability Drive Service Improvement Idea Generation

*Kemefasu Ifie, Loughborough University*

**Keywords:** *frontline service employees, Motivation-Ability-Opportunity, ideas for improvement, opportunity recognition ability*

**Description:** *This study investigates how motivation, opportunity and ability of frontline service employees individually and jointly drive service improvement idea generation.*

## EXTENDED ABSTRACT

### Research Question

A review of the literature reveals very few studies which have specifically addressed the drivers of boundary-spanners' ideation success in a service improvement context. When ideation success has been specifically addressed, there is often a lack of comprehensiveness in the antecedents that have been studied. Clearly, given the importance of improvement ideas for the success of service firms, it is important to uncover a broader set of antecedents to provide better guidance to service managers.

We utilize the Motivation-Opportunity-Ability (MOA) framework in this study. While the MOA framework has been applied to investigate a variety of outcomes in the marketing, management and service disciplines, such as knowledge-sharing practices, sales reps' pursuit of marketing and self-generated leads and salesperson's cross-selling performance, this is one of the first MOA studies focusing on frontline service employee idea generation. Furthermore, while extant research focused on creativity in service and service improvement initiatives recognizes constructs that reflect motivation, opportunity, and ability as predictors of ideation success (e.g., van der Heijden et al, 2013; Agnihotri et al, 2013), such studies have not shed much light on the interactions among motivation, opportunity, and ability. We fill this gap in this study.

### Method and Data

We obtained data from frontline service personnel across various student-facing functions in a higher education insti-

tution. 191 usable responses were received. We adapted some measures from the literature and developed scales for other items in line with the definition of the construct. For instance to assess opportunities for out-group interaction we asked "My job provides me with many opportunities for interactions with employees in other units in this organization (customers, colleagues in other organizations)."

We used hierarchical moderated regression analysis to test our hypotheses (Cohen and Cohen 1983). All scales were averaged to form a composite. Interaction terms were created by taking the product of the mean-centered constructs. Multicollinearity was not a problem as the variance inflation factor (VIF) scores were well within the cut-off of 10 recommended by scholars. In model 1, we included only the control variables. Model 2 included all first-order associations between ideation success, motivation, opportunities for out-group interaction and opportunity recognition ability, respectively. Model 3 added all second-order associations, and model 4 includes the proposed three-way interaction. The statistically significant effects on ideation success from model four are included in the table below. The full table is included in the appendices.

### Summary of Findings

The main finding of our study is that employees' ideation success is highest when opportunities for out-group interaction, motivation, and ability are all high. We found some interesting differences in the way the three predictors relate to ideation success. For instance, in terms of interactive effects, both opportunity recognition ability and opportuni-

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ties for out-group interaction only have a positive association with ideation success when combined with autonomous motivation. Furthermore, the positive and direct association between opportunities for out-group interaction and ideation success is nonsignificant. However, when coupled with autonomous motivation and opportunity recognition ability, it is significantly associated with employees' self-reported ideation success. Hence, it appears that employees' only make effective use of opportunities for out-group interaction for idea generation when they are both skilled and motivated.

## **Key Contributions**

The key managerial implication is that managers need to focus on improving motivation, ability and opportunity for ideation. Perhaps most importantly, given the central role of motivation, managers need to nurture employees' autonomous motivation for ideation. This can be done through job design, feedback and leadership (Coehlo et al, 2011).

*References are available on request.*

# Relative Value of Sales and Marketing Appointment Announcements: Quasiexperimental Evidence on Nature and Moderating Conditions

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*Michael Ahearne, University of Houston*

**Keywords:** *relative value of sales and marketing, managerial succession, B2B, insiders, quasi-experiment*

**Description:** *We study the relative value of firm insiders across functions such as sales, marketing etc. in B2B firms*

## EXTENDED ABSTRACT

We find that over 2006–2014 a Sales executive appointment announcement generated cumulative abnormal stock returns (CAR) (0.61% ( $p < 0.05$ )) higher than average of all functions combined but lower than Marketing only (1.98%,  $p < 0.01$ ) and Strategy (0.94%,  $p < 0.1$ ). However, in dollar terms, a Sales appointment offered highest *immediate stability* in terms of CAR driven firm value—creating \$ 5.3 million against Marketing’s \$ 0.95 million, Strategy’s \$ 2.9 million, while a joint Sales and Marketing appointment destroyed \$ 0.64 million. We also find that in business markets, new Marketing appointments strengthen short term firm performance (0.83,  $p < 0.05$ ), thereby proving that since B2B is not as marketing focused, Marketing managerial succession helps the firm engage better with the market. Our research also shows that Sales and Marketing Insider appointments strengthen short-term firm performance (1.36,  $p < 0.1$ ), presenting evidence that Insiders provide short-term operational continuity for sales and marketing plans. However, in B2B, Sales and Marketing Insider appointments attenuate short-term firm performance (–1.5,  $p < 0.1$ ), evidence that B2B Sales and Marketing Insiders may be lacking network with market stakeholders and market exposure that an outsider brings. Our study also finds that in B2B, Insiders strengthen long-term firm performance (1.16,  $p < 0.1$ ), evidence that Insiders based managerial succession provides stability during a longer decision making process in B2B. But, in B2B, Sales Insider appointments weaken long term

firm performance (–1.82,  $p < 0.05$ ), evidence that B2B Sales Insiders, perhaps, are unable to leverage network with market stakeholders.

## Research Question

1. What is the relative value of sales and marketing appointment announcements vs. other appointment announcements?
2. What is the relative impact of appointment announcements on firm performance in short-term and in long-term?
3. Is the relative value conditional on nature of appointment announcement (Insider vs. Outsider) and moderating factors (B2B vs. B2C)?

## Method and Data

In Study 1, we analyze the impact of appointment announcement on immediate firm performance (cumulative abnormal returns) through the well-established event study methodology (Levinthal (1991), Srinivasan and Hanssens (2009), Giambatista (2005)). In Study 2, we understand the conditional nature of crucial appointment level variables given that there was an executive change—whether appointed executives were firm insiders or not and whether the appointment was made in B2B vs. B2C sectors. Here we study the impact

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of appointment announcement on short-term and long-term firm performance by observing Sales and Tobin's Q before appointment and at end of the matching year through a Quasi Experimental Instrumental Variables method.

Our research studies archival data to analyze appointments related to Sales; Marketing; Sales and Marketing; Supply Chain, Operations, Manufacturing, Procurement (SCOME); Finance and Accounting (Base line); and Strategy functions. We study a sample of 820 public (AMEX, NYSE, and NASDAQ) appointment announcements made by firms listed at major U.S. stock exchanges over a 9-year period ranging from 2006–2014.

### Summary of Findings

A Sales executive appointment announcement generated cumulative abnormal stock returns higher than average of all functions combined but lower than Marketing only and Strategy. However, in dollar terms, a Sales appointment offered highest *immediate stability* in terms of CAR driven firm value. We also find that in business markets, new Marketing appointments strengthen short-term firm performance. Our research also shows that Sales and Marketing Insider appointments strengthen short-term firm performance. However, in B2B, Sales and Marketing Insider appointments attenuate short-term firm performance. Our

study also finds that in B2B, Insiders strengthen long-term firm performance (1.16,  $p < 0.1$ ), evidence that Insiders based managerial succession provides stability during a longer decision making process in B2B. But, in B2B, Sales Insider appointments weaken long term firm performance (–1.82,  $p < 0.05$ ), evidence that B2B Sales Insiders, perhaps, are unable to leverage network with market stakeholders.

### Key Contributions

First, to the best of our knowledge, no research has studied the impact of sales appointment announcement. Second, we measure the relative value of sales appointment announcement compared to other functional appointment announcements (Marketing, joint Sales and Marketing appointment, SCOME, Strategy and Finance and Accounting) across a period of nine years (2006–2014). Third, we study the relative impact of appointment announcements on firm stability in immediate term (studied by observing the cumulative abnormal returns), in year end (studied by observing the Log Sales) and in long-term (studied by observing the Tobin's Q). Finally, we study if this relative value is conditional on nature of appointment announcement and on factors, both internal (Insider vs. Outsider) and external (B2B vs. B2C), that strategically interact with appointment announcement.

*References are available on request.*

# Building Innovation Capability: The Role of Top Management Innovativeness and Relative-Exploration Orientation

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*Mayukh Dass, Texas Tech University*

**Keywords:** *innovation, financial performance, relative-exploration orientation, content analysis*

**Description:** *this paper investigates how firms can develop innovation capability by involving their managers.*

## EXTENDED ABSTRACT

### Research Question

Our study aims to address the following research questions:

1. Can managers' innovativeness and relative-exploration orientation be a part of a firm's innovation capability?
2. If yes, how do they contribute to a firm's favorable financial performance?

### Method and Data

To investigate these research questions, we developed a unique data set that consists of data from multiple sources. First, we obtained managers' innovativeness and relative-exploration orientation information by analyzing firms' shareholder letters. Second, we collected data for the accounting information from COMPUSTAT. Finally, to include the economic controls, we obtained data from the World Bank Database. The final dataset includes 136 firms covering 7 years (2007–2013). We employed a multilevel modeling approach to analyze the data and test the hypotheses.

### Summary of Findings

We find that managers' innovativeness makes them more likely to focus on exploration orientation rather than exploitation orientation, and both the managers' innovativeness and the relative-exploration orientation can lead to a firm's favorable financial performance. In addition, our

results suggest that the extent to which an innovative-oriented manager is more willing to develop relative-exploration orientation depends on the resources a firm has and the industry environment it is facing.

### Contributions

By addressing the proposed research questions, this study contributes to the existing literature and the managerial practice in several ways. First, this study extends the current literature by including managers' resources in a firm's innovation capability. Specifically, we suggest that managers' innovativeness and the adoption of relative-exploration orientation can generate a stronger innovation capability, which results in better financial performance. Second, this study provides an alternative explanation as to why managers' different backgrounds can produce different innovation outcomes. According to the results, we propose that the relative-exploration orientation is one of the key mediators that link managers' innovation efforts to firm performance. Third, this study identifies both firm resources and industry competition as moderators that can influence the transformation of managers' innovativeness to the relative-exploration orientation. Finally, our research provides insights into how managers should allocate their innovation efforts in a less competitive environment, such as in a new market or in an emerging market.

*References are available on request.*

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# Is Data Driving Cooperation in the C-Suite? The Evolving Relationship Between the CMO and CIO

*Stefan Sleep, Georgia Southern University*

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**Keywords:** *chief marketing officer, cooperation, top management team, interdependence*

**Description:** *This study introduces a conceptual model that explores the evolving CMO/CIO relationship, the antecedents of cooperation between the two executives, and a series of cooperation mechanisms.*

## EXTENDED ABSTRACT

### Research Question

What is the current state of the CMO/CIO relationship? How do process, organizational, and individual differences impact CMO/CIO cooperation? What mechanisms can be used to facilitate executive cooperation?

### Summary of Findings

The focus on the customer and the rapid increase in available data are driving the need for the CMO and CIO to jointly manage the internal and external activities of the firm. However, there are numerous differences between the two in terms of focus (internal or external), power, language (business or technology), and background that limit their ability to form a cooperative relationship. Additionally, there are often differences in the reporting structure and the ownership of resources that further increase this divide. The resulting conflict can prevent the firm as a whole from achieving a data based competitive advantage. The CMO and CIO can improve cooperation by collaborating on a task, developing common goals, and developing a relationship that encourages collaboration. The relationship has achieved success when there is a shared vision of success, strategic decisions are moving to the boardroom indicating

influence within the TMT, and there is a single, end-to-end view of the customer.

### Key Contributions

The research makes several contributions. First, it is one of the first studies to specifically examine the CMO/CIO relationship. Overall, there has been a lack of research on relationships between TMT members outside of those with the CEO. Additionally, the CMO/CIO relationship is a relatively new one in terms of importance to the firm, and it is becoming more and more critical as data-driven decision making increases. Next, it introduces a conceptual model of the factors that impact CMO/CIO cooperation, and suggests several mechanisms for improving cooperation between the executives. Finally, it contributes to the CMO literature by looking beyond the influence of the CMO within the firm to examining how the CMO builds and maintains relationships within the TMT. CMOs have at times struggled to play a critical role in the firm's strategic decision making. By evaluating the relationship with other functional executives, marketing can have greater impact across the firm and within the TMT.

*References are available on request.*

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# Do Firms Burn Their Muscle While Cutting the Fat? The Influence of Sales Force Downsizing Decision on Firm-Idiosyncratic Risk and the Role of Screening and Signaling Processes

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*Panagiotis Avramidis, ALBA Graduate Business School*

**Keywords:** *sales force downsizing, market-based assets, firm risk, CEO, information asymmetry*

**Description:** *We examine the influence of sales force downsizing decisions on firm-idiosyncratic risk as well as the role of screening and signaling processes in this relationship.*

## EXTENDED ABSTRACT

### Research Question

For any organization, sales force downsizing represents a critical market-based asset decision. However, despite the apparent signals that sales force downsizings have on firm value, empirical research on this link has been surprisingly scant. Additionally, contextual factors are extremely likely to influence whether sales force sizing yields positive or negative financial outcomes. Our study addresses these research gaps by conceptualizing sales force downsizing decisions as market-based asset fluctuations that signal firm market risk information to investors. We draw from the information economics literature on information asymmetry to identify two mechanisms—screening and signaling—to contextualize the link between sales force sizing decisions and firm idiosyncratic risk.

### Method and Data

We use an unbalanced panel data sample of public U.S.-based firms for the period of 2001–2012. This 12-year period allows for a generalizable estimation of the impact of

sales force downsizing on firm-idiosyncratic risk, given that it covers four different cycles in the American economy.

We draw from a seven source, longitudinal dataset of 330 U.S. public firms over 12 years to model our framework using a robust econometric approach to help rule out alternative explanations.

### Summary of Findings

Our findings indicate that sales force downsizing decisions act as a negative signal to investors by increasing a firm's idiosyncratic risk. Further, we illustrate that screening cues such as product fluidity and financial opacity act as negative signals that amplify the link between downsizing and idiosyncratic risk. Our model also includes findings on the mitigating effects of signaling cues such as CEO external focus and CEO reputation. Both of these cues provided downsizing firms a way to lower their idiosyncratic risk by signaling greater firm quality (i.e., CEO external focus) and clearer intentions (i.e., CEO reputation).

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## Key Contributions

We offer the first study to empirically link sales force size changes with financial market performance. Understanding the financial risk of sales force sizing broadens the applicability of this market-based asset across all business research domains. For managers, this means that sales force sizing decisions need consideration at the C-suite level in order to align with long-term firm strategy and shareholder goals. Second, our novel dataset and model conceptualization provide robust support for the inclusion of sales force decision variables as signals of market demand and help to extend previous research on sales response elasticity and modeling

sales force strategy. Finally, our incorporation of theoretical mechanisms from information economics illustrates several boundary conditions from outside mainstream marketing literature to broaden the generalizability of our results. This approach also helps provide managers with greater guidance when considering sales force sizing decisions by illustrating how screening mechanisms (i.e., product fluidity and financial opacity) and signaling mechanisms (i.e., CEO external focus and CEO reputation) strengthen or attenuate the link between downsizing and idiosyncratic risk.

*References are available on request.*

# Mobile Technology Use Among Salespeople and Its Influence on Role Stress and Job Satisfaction

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*Sergio Román, Universidad de Murcia*

**Keywords:** *mobile technology tools, salespeople, psychological strain*

**Description:** *This study examines the influence of extent of mobile technology use on role stress (i.e., role overload, role conflict and role ambiguity) and job satisfaction among salespeople.*

## EXTENDED ABSTRACT

### Research Question

In today's economic context salespeople are increasingly under pressure to do more in less time, and interfacing with technological tools have emerged as an integral part of their job (Marshall et al. 2012). The literature has placed special emphasis on studying the antecedents and consequences of Sales Force Automation (SFA)/Customer Relationship Management (CRM) software applications in the sales profession. Studies on the consequences of technology use among salespeople have mostly addressed its influence on sales performance (e.g., Onyemah et al. 2010; Sundaram et al. 2007). Clearly sales are important, but these studies do not consider employees' feelings, emotions or the psychological aspects of the job. The question is whether salespeople believe that the use of mobile technology tools facilitates their work, or is yet one more element to worry about, thereby contributing to additional stress. Accordingly, the objective of this study is to examine this under-researched issue by looking at the influence of mobile technology use (smartphones, laptop computers and tablets) on salespeople's job stress (role ambiguity, role overload and role conflict) and job satisfaction.

### Method and Data

Data were obtained from a sample of salespeople (n = 265) from a broad range of industries through an online survey. Hypotheses were tested with structural equation modeling.

### Summary of Findings

Consistent with the Job-Demand Control model, our findings suggest that the use of mobile technology tools by sales-

people increases their "job control" (Karasek 1979, p.287) which help them deal effectively with a "high-demands condition" leading to a significant reduction in job strain (role stress and dissatisfaction). In particular, we found that use of mobile technology tools reduced role overload, role conflict and role ambiguity. Also, the direct and indirect (through role overload and role ambiguity) influence of mobile technology explained an encouraging amount of variance in job satisfaction (50%). Importantly, job satisfaction is regarded as one of the most meaningful constructs in work and organizational psychology (Hahn et al. 2015).

### Key Contributions

Salespeople are increasingly under pressure to do more in less time, and interfacing with technological tools have become an integral part of their job. Ever increasing mobility has led to a rise in the use of smartphones, laptop computers and tablets in business and, consequently, among salespeople. Yet today, we know very little about the psychological consequences of salespeople's use of mobile technology. This study helps to understand how mobile technology tools can reduce salespeople's psychological strain (stress and dissatisfaction). This is the first study that particularly examines the influence of mobile technology tools on salespeople's psychological strain. The current study extends research on organizational psychology, personal selling and information technology by moving beyond a focus on technology-centric outcomes (i.e., sales performance), to understanding broader, more psychological aspects of the job.

*References are available on request.*

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# Self-Selected Incentives: Evidence from Two Field Experiments on How to Customize Sales Force Incentivizing

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*Sebastian Hohenberg, University of Mannheim*

**Keywords:** *incentives, difference-in-difference, self-selective incentive scheme, field experiment, sales force, sales contests*

**Description:** *This study provides a unique mechanism to customize the sales incentives, where the firms can segment the salesforce and design incentive structures for each segment and let the salespeople self-select the incentives.*

## EXTENDED ABSTRACT

### Research Questions

1. How effective is the self-selected incentive scheme in comparison to the tiered-quotas?
2. Who are the salespeople that respond better to self-selected incentives?

### Method and Data

To test the effects of self-selected incentives, the authors conducted two large-scale field experiments in two Fortune 500 companies.

### Summary of Findings

As compared to a traditional tiered-quota system, the performance of the salespeople increased substantially under the self-selected incentives scheme.

In addition, findings reveal that the performance-effect of self-selected incentives is substantially larger for low and

medium performers, as compared to reps with a previously high performance.

Results further indicate that the performance-effect of self-selected incentives is greater for those reps with a higher variation in prior performance.

### Key Contributions

Our study provides a unique mechanism to customize the sales incentives, where the firms can segment the salesforce and design incentive structures for each segment and let the salespeople self-select the incentives.

We show that self-selected goals lift the entire performance curve. Specifically, the middle performers showed the highest improvement in performance followed by the bottom performers.

*References are available on request.*

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# Managing Inexperienced Salespeople's Confidence in Uncertain Environment: The Effect of Luck on Locus of Control, Motivation, and Performance

*Joël Le Bon, University of Houston*

**Keywords:** *inexperienced salespeople, luck, locus of control, motivation, performance*

**Description:** *This research explores the relationship between believing in luck, luck emanated sales outcomes, and inexperienced salespeople's locus of control, motivation, and performance.*

## EXTENDED ABSTRACT

### Research Question

Leveraging the attribution theory (Weiner 1979), sales scholars have stressed the importance of ability and effort, as stable, internal, and controllable causes of success to explain salespeople's motivation, learning orientation, and performance (Dixon et al. 2005; Sujun 1986; Teas and McElroy 1986). Luck, which is considered as an unstable, external, and uncontrollable attributional cause has mainly been studied through the lens of chance (i.e., randomness or blind luck) (DeCarlo et al. 1997) or bad luck (Dixon et al. 2003; Dixon and Schertzer 2005). Moreover, research shows that luck deflates salespeople's expectancies and confuses them on the instrumental reasons of their success (Dixon et al. 2005; Teas and McElroy 1986). Interestingly, correlation matrixes reported in the literature reveal that luck seems to correlate positively to salespeople's effort, ability, task perceived easiness, or sales performance (e.g., DeCarlo et al. 1997; Dixon et al. 2001). However, no clear explanations are sought after and offered. Yet, understanding the role of luck in sales performance should help uncover how inexperienced salespeople can better handle uncertainty through what may have been mistakenly considered as an instable, external or uncontrollable factor of success or failure (Mallin and Mayo 2006).

### Method and Data

We collected data during two years from 267 sales students of a large U.S. university enrolled in a customer relationship

management class requiring the assignment of selling a golf tournament (i.e., sponsorships and player entries). Such a population of sales students is appropriate for the purpose of the study because we wanted to assess the effect of luck on inexperienced salespeople's performance. As part of the learning process, we also teach the students how to use and manage their sales territories and customer database with Salesforce.com CRM System. Per the class assignments, the students are requested to enter all their sales activities and sales opportunities into Salesforce.com. Sales volume and dollars are also entered into the CRM system once payment is received from the customers and the students were required to record and attribute each of their sales (volume and \$ value) to regular sales process, accidental luck, or provoked luck circumstances. These concepts were clearly defined and explained throughout several sessions of the class. Throughout the two years, the students sold 2,328 player entries for a total of \$ 542,115.50 in sales (4 golf tournaments).

### Summary of Findings

In this study, 9% to 12% of the sales revenue comes from accidental luck circumstances, 49% to 57% from provoked luck circumstances, and 33% to 36% from regular sales process ones. Belief in luck positively influences sales activities confirming H1, does not impact provoked luck contrary to H2 prediction, and positively influences accidental luck confirming H3. Sales activities positively impact sales opportunities confirming H4. Likewise, sales opportu-

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nities positively influence provoked luck in line with H5, but do not impact accidental luck contrary to H6 assumption. Provoked luck influences locus of control in line with H7 prediction, whereas accidental luck does not, contrary to H8. H9, H10, and H11 are confirmed revealing respectively the impact of provoked luck, accidental luck, and locus of control on increase motivation. However, contrary to H12, the impact of locus of control on sales performance is not significant, yet increase motivation positively impacts sales performance. Concerning the control variable, a regular sales process has a significant impact on sales performance.

### **Key Contributions**

The results contradict previous research in regard to mistakenly effects of luck on salespeople's effort and performance. Indeed, accidental luck and provoked luck situations should not be perceived as being confusing and to be avoided by young salespeople (Teas and McElroy 1986; Dixon et al. 2001). In contrast, such circumstances should be sought after since

they increase inexperienced salespeople's locus of control, motivation, and performance. This research provides interesting contributions to the attribution and sales performance literature. First, we introduce the concepts of accidental luck and provoked luck and show that luck, although considered as an unstable, external, and uncontrollable cause in the attribution theory, should be viewed as a manageable determinant of personal achievement. Findings also show that luck and effort operate complementarily and should not be regarded as mutually exclusive attributional causes of success. Second, we uncover that sales success also relies on good luck, a factor which has yet to be integrated into sales performance theories. Last, since luck emanated outcomes positively impact one's locus of control, this research suggests that inexperienced salespeople should cope with uncertainty and likely failure better if they remain positive and believe they can always build their own luck.

*References are available on request.*

# Does Building an Ambidextrous Sales Force Pay-Off? Balancing Customer- and Supplier-Centricity for Improved Performance

*Nikolaos G. Panagopoulos, University of Alabama*

*Michael A. Pimentel, University of Alabama*

**Keywords:** *ambidexterity, sales force, sales force human capital, sales force performance*

**Description:** *This study views the aggregate of the sales force's knowledge, skills, and abilities as a firm asset and investigates its effects on subjective sales force performance and objective firm profits.*

## EXTENDED ABSTRACT

### Research Question

This study seeks to understand how a firm's ability to balance customer- and supplier-centricity (i.e., ambidexterity) when investing in the development (i.e., selection and training systems) of sales force human capital assets (i.e., sales force knowledge, skills, and abilities) impacts subjective sales force performance and objective firm performance. In other words, does it pay-off for firms to invest in their ability to develop a sales force asset which is ambidextrous? Additionally, the current study investigates how the hypothesized main effects are moderated by a firms' level of ambidexterity when measuring and incentivizing salesperson performance, and when implementing and utilizing tools and data (e.g., CRM systems) intended to help the sales force improve customer relationships and selling performance.

### Method and Data

We use data from 170 senior sales executives across a broad range of industries to measure our firm level constructs and test our hypotheses. This study utilizes a time lag survey design where firm financial performance is collected from secondary sources one year after the collection of the focal measures. After achieving sufficient construct validity, partial least squares structural equation modeling (PLS-SEM) is used to model the hypothesized relationships. Additionally, various robustness checks are performed for the potential

existence of multicollinearity, common method variance, and endogeneity.

### Summary of Findings

The findings of our study indicate that it does pay off for firms to invest in developing an ambidextrous sales force. Specifically, we find that firms that are ambidextrous, that is, capable of simultaneously balancing customer- and supplier-centricity, when investing in selection and training systems, produce more valuable sales force human capital resources—that is, have a greater positive impact of performance. We also find that investing in similarly balanced metrics and incentive systems enhance the positive results of the hypothesized direct relationships.

### Key Contributions

This study contributes to marketing theory by conceptualizing sales force human capital as an asset of the firm that can increase in value through firm investments in ambidextrous selection and training systems. Specifically, we posit that the value of the sales force is derived from the aggregate of salespeople KSAs that are developed by firm investments. Our findings offer implications for sales firms concerning the strategic development of a more ambidextrous and valuable sales force human capital asset.

*References are available on request.*

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# A Stock Market Perspective on Firm Responses to Celebrity Endorser Scandals

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*Sascha Raithel, Freie Universität Berlin*

**Keywords:** *celebrity endorsement, negative publicity, scandal, firm reaction, event study regression*

**Description:** *This paper examines the impact of firm reactions to celebrity endorser scandals on immediate and subsequent stock returns.*

## EXTENDED ABSTRACT

This study examines the influence of firm reactions to negative celebrity endorser publicity on stock returns of 176 observations between 1988 and 2013. Analyzing firm reactions on a daily basis over four trading weeks, the authors show that firms can successfully counteract the subsequent negative stock returns by responding quickly and appropriately. Specifically, the analyses reveal that (1) active firms, issuing a punishing or neutral/supporting statement, outperform passive ones, (2) among the active firms, those reacting sooner outperform those reacting later, and (3) firm reactions that are considered appropriate by stakeholders outperform those that are not. Firms frequently deviate from these findings, emphasizing the need for a systematic study of firm reactions to negative spokesperson publicity and their impact on stock returns. This study is a first step towards a strong empirical foundation for a deeper understanding of the consequences of these firm reactions.

### Research Question

To date, no research has quantified the impact of firm reactions to celebrity endorser scandals on immediate and subsequent stock returns. Specifically, we answer the following questions. First, should firms respond to negative publicity or is it better to remain quiet? Second, if firms decide to respond, should they respond immediately or is it better to wait? Third, if firms decide to respond, what should their response look like?

### Method and Data

Our sample consists of 124 celebrity scandals, affecting 106 publically traded firms (NYSE, NASDAQ), for a total of

176 observations between 1988 and 2013. We model the impact of firms' response strategies to celebrity endorser scandals on firm value with a three-step process. First, we use event study methodology to estimate the daily abnormal returns following the scandal. Second, we apply a propensity score matching approach to reduce the effect of a selection bias. Third, we apply a multiperiod regression model to capture the dynamics of the stock returns for each firm before and after the firm reacts.

### Summary of Findings

Analyzing firm reactions on a daily basis over a four-week period, we show that firms can successfully counteract negative stock returns following celebrity endorser scandals by responding quickly and appropriately. Specifically, the analyses reveal that (1) active firms outperform passive ones, (2) among the active firms, those reacting sooner outperform those reacting later, (3) firm reactions that are considered appropriate by stakeholders outperform those that are not.

### Key Contributions

This study is the first that examines not only the immediate and intermediate-term impact of celebrity endorser scandals on stock returns, but more importantly the immediate and intermediate-term effects of (the lack of) firm reactions to these negative events.

*References are available on request.*

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# Consumers' Response to Brand Transgressions: An Emerging Perspective on Religious Consumption

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**Keywords:** *brand transgressions, religious consumption, trust, commitment, behavioral intentions*

**Description:** *Understanding brand transgressions and its effects on brand trust, brand commitment and behavioral intentions from a religious perspective.*

## EXTENDED ABSTRACT

### Research Question

The purpose of this study is to advance existing conceptualizations of brand transgressions in the context of religious consumption. Beyond traditional brand transgression research, this study examines the concept of brand transgression where an individual adheres to the dietary guidelines of their religion. Common consumption prescriptions include Kosher consumption for Jews and *Halal* consumption for Muslims. This study seeks to gain an understanding on how a brand transgression involving a breach in religious norm affects consumers' brand trust, brand commitment and behavioral intentions. The study also aims to investigate the effects of brand recovery strategies on brand trust, brand commitment and behavioral intentions after a brand transgression. Following this, the research investigates the following questions:

1. Do brand transgressions involving a violation of a religious norm damage trust, commitment and behavioral intentions?
2. Can relationship damage because of a brand transgression be repaired via recovery strategies such as apology and compensation?

### Method and Data

An exploratory research method involving two phases was used to investigate the experiences of Muslim consumers in

Malaysia following a brand transgression which violates a religious norm. The two phases were a scenario development stage, operationalized through interviews and an experimental approach using scenario-based experiments. The experiments investigated differences in pretransgression, pretransgression, and prerecovery strategies in the level of trust, commitment and behavioral intentions across several scenarios. The scenario-based experiments involved four different treatment groups (i.e. "*Halal* high" severity, "*Halal* low" severity, "general high" severity and "general low" severity). Participants completed questions related to trust, commitment and behavioral intentions both before and after recovery strategies are taken by the brand. Participants comprised of 122 Malaysian Muslim working adults between the ages of 21–60.

### Summary of Findings

Overall, the findings show that brand trust was significantly reduced in all four experimental conditions. However, brand commitment and behavioral intentions were only significantly reduced in the "*Halal* high" severity condition. This suggests an emotional disconfirmation that arises in the extreme transgression severity case as religion is a core aspect of a Muslim consumer's life. The findings also indicate that a religion-related brand transgression triggers more negative consequences for a brand compared to a general brand transgression. Furthermore, when a transgression only impacts the antecedent factor (trust), recovery strategies are

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redundant. This is because the fall from the baseline for commitment and behavioral intentions are not significant. If the transgression is not extreme, consumers still continue to patron the brand. This may be a result of strong brand relationships or lack of alternatives. Recovery strategies become important when the transgression has an impact not only on trust, but also on brand commitment and behavioral intentions (i.e. in the *Halal* high severity case). However, findings show that recovery strategies did not work to restore consumers trust, brand commitment and behavioral intentions after a high severity transgression violating a religious norm, contradicting a vast body of past research.

### **Key Contributions**

Despite the many examples of brand transgressions, limited theoretical approaches have been put forward to explain the effects of brand transgressions. By introducing a religious

motif, this research captures an important aspect of brand transgression, which is missing from other accounts. There is little research, theory and empirical evidence which addresses the nuances of the brand transgression concept within a religious frame. This research provides evidence of the negative consequences of a brand transgression involving religion. Consumers were found to have negative behavioral intentions towards the brand, regardless of the recovery strategy used by the brand. These findings imply that generic recovery strategies such as apology and compensation may not be effective, particularly when the transgression involves religion. Thus, brands involved in a transgression involving religion would need to develop more substantive recovery strategies to overcome the negative consequences of brand transgressions.

*References are available on request.*

# Alleviating Negative Spillover of a Brand-Harm Crisis: Sensegiving vs. Sensehiding in a Competitor's Denial Response Strategy

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*Lianxi Zhou, Brock University*

**Keywords:** *sensegiving, sensehiding, brand-harm crisis, spillover effects, brand relatedness*

**Description:** *This research takes a competitor's perspective of a brand-harm crisis, introduces two types of response strategies used to convey a sense of denial: sensegiving and sensehiding and the moderator of the effect from response strategies on reducing negative spillover effect.*

## EXTENDED ABSTRACT

### Research Question

A brand-harm crisis not only affects the scandalized brand, but may also influence competing brands. The term “spillover” is used to illustrate this situation. Based on the linguistic and management literatures, we introduced the concepts of *sensegiving* and *sensehiding* to the competitor's denial response strategy. A sensegiving strategy provides a negation tag and the core negated concept. A sensehiding denial message has the same purpose as a sensegiving denial message, but uses affirmation as the linguistic device to deliver the denial indirectly. A sensehiding response can be “Subway® only uses high-quality materials from creditable suppliers.” And a sensegiving response can be “Subway® has never used contaminated materials from unreliable suppliers.” Based on the different device that two strategies have, we propose that sensegiving denial strategy is more effective than sensehiding denial strategy on reducing negative spillover effect.

Furthermore, we also explore the role that key variable, brand relatedness, plays on the effects above. Brand relatedness describes the strength of association between two brands. According to the associative-network theory, the stronger the association between two brands, the more likely spillover is to occur. Hence, the differential effect of sensegiving and sensehiding denial strategies on reducing negative spillover effect is greater when brand relatedness is higher (vs. low).

### Method and Data

Study 1 is a 2 (denial response message: sensegiving vs. sensehiding)  $\times$  2 (brand relatedness: low vs. high) between-subjects experimental design. We manipulated the brand relatedness between brands. Participants were exposed to a crisis story about a brand, followed by the denial message from the brand's competitor. Then, participants answered questions about the compliance intention, covariates and demographic information. Study 2 and Study 3 had similar procedures with Study 1 with a few differences. First, we added no denial response condition as the third response strategy. Therefore, Study 2 and Study 3 are both a 3 (denial response message: sensegiving vs. sensehiding vs. silence)  $\times$  2 (brand relatedness: low vs. high) between-subject experiment design. Compliance intention was only measured and analyzed in sensegiving and sensehiding conditions. Second, the brand relatedness was measured in Study 2 and Study 3. Third, we added brand evaluation as the second dependent variable. Fourth, in the third study, we used a value-based brand crisis, instead of performance-based brand crisis.

### Summary of Findings

We introduced the concept of “sense” and defined two kinds of denial messages based on the framing of the denial sense in each strategy. The sensegiving strategy referred to a denial message containing negation to deliver a denial sense. The sensehiding strategy referred to a denial message using

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affirmation to deliver the denial sense. In addition to this, we examined how brand relatedness interacted with these two denial messages in terms of consumer response. Through three experimental designs, we demonstrate that the sensegiving response strategy received more compliance intention and reduced more negative spillover than the sensehiding response strategy did. For the two-way interaction, brand relatedness did interact with denial messages on both compliance intention, and brand evaluation. There is no significant difference of compliance intention between two types of denial messages when brand relatedness is high, but there are significant differences at the low level of brand relatedness. The direction of the interaction was contrary to the second hypothesis. In the last two studies, the three types of response strategies had significantly differential effects on brand evaluation only when brand relatedness is high, consistent with the direction of the second hypothesis.

### **Key Contributions**

The first theoretical contribution of this study is to introduce the concept of sensegiving and sensehiding. Furthermore, we also explored the interaction effect among two response strategies and the contingent variable, brand relatedness.

The second theoretical contribution of this research lies in its focus on a competitor's reactions to brand-harm crisis. A comprehensive review of the current literature indicates that few studies have actually addressed brand-harm crisis from a competitor's perspective. To the best of our knowledge, Roehm and Tybout (2006) is perhaps the only study that highlights the importance of understanding potential negative spillover to competing brands.

Coming to the managerial contributions, this research provides marketers with a new response strategy when they would consider developing a response to other brands' crises. Instead of simply saying "we are not guilty," competing companies may use a subtler framing of response messages to convey consumer compliance. Such response may help reduce the negative spillover effect without causing counterarguments among the target consumers. Meanwhile, previous research emphasizes the similarity between the scandalized brand and the competing brand (Dahlen and Lange, 2006). In this research, we emphasized that brand relatedness is more relevant to negative spillover effects.

*References are available on request.*

# How Does Brand Age Influence Consumer Attitudes Toward a Firm's Unethical Behavior?

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*Melissa Cinelli, University of Mississippi*

**Keywords:** *brand age, firm unethical behavior, brand credibility, motivated reasoning*

**Description:** *This paper examines the role of brand age as an important determinant of the consumer evaluation process regarding a firm's ethically related behaviors.*

## EXTENDED ABSTRACT

### Research Question

We answer two main research questions in our paper: (1) does brand age affect consumer attitudes toward a brand after the brand is involved in unethical behavior, and (2) if so, how?

### Method and Data

Using two experiments with 517 participants, we assess the effect of brand age on three types of brand evaluations: perceived quality, brand credibility and consumer attitude after a firm engaged in unethical behavior.

### Summary of Findings

Brand age, which reveals a brand's history and the degree to which the brand is established, is an important extrinsic cue that can influence the consumer evaluation of a brand. Consumers evaluate brands in significantly different ways, even if these brands are identical in all aspects except for age. This research not only demonstrates the effect of brand age, but it also reveals the mechanism behind its impact by exploring the mediating role of brand credibility in the consumer evaluation process. The findings also increase our understanding of the motivated reasoning theory and its application to the context of a firm's unethical behavior. The results show

that when there is a higher perceived brand credibility due to an older brand age, consumers tend to trust and forgive a firm with a long history even if it has been involved in unethical practices. Firms should strongly communicate their brand age as part of their brand image, not only because it can help build a favorable image in general, but because it can also create a buffer in case they are involved in a crisis.

### Key Contributions

While a growing number of researches investigate how strategic branding decisions can contribute to a brand's ability to weather the storm following a brand crisis, brand age, an important brand attribute, has hitherto been overlooked. We assess the effect of brand age on three types of brand evaluations: perceived quality, brand credibility and consumer attitude after a firm engaged in unethical behavior. Our research addresses an important knowledge gap in the branding strategy literature by identifying the importance of brand age in communicating brand image to customers, both in regular and unfavorable conditions. The findings also contribute to the brand crisis management literature and provide several important insights to practitioners.

*References are available on request.*

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# Investigating the Determinants of Brand Performance: The Key Role of Internal Branding

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*Arezoo Davari, Eastern Washington University*

**Keywords:** *internal branding, human capital, strategic brand management, brand orientation, brand performance*

**Description:** *This paper examines the role of internal branding in facilitating the brand vision and objectives to enhance brand performance.*

## EXTENDED ABSTRACT

### Research Question

Majority of the literature on brands and brand management have been from the consumer perspective. While recently researchers have started paying attention to brand management from an organizational perspective, the role of employees and the organization's effort to align those employees with brands (internal branding) in the overall brand management strategy have not been discussed in detail. The importance of understanding the role of internal branding is anchored in the notion that employees represent human capital whose skills and knowledge can be used to develop a sustainable competitive advantage for organizations. While previous studies have attributed importance to internal branding, the research till date is more focused on the individual level. In summary, considering the growing importance of human capital in organizations and their efforts to enhance internal branding, the role of internal branding in the overall brand management process needs further inquiry. The current study examines the role of internal branding in development and deployment of an organization's branding strategy—brand orientation and strategic brand management. Specifically, the authors argue that internal branding mediates the relationship between brand orientation, strategic brand management, and brand performance in organizations.

### Method and Data

To test the hypothesized relationships, surveys were distributed among brand managers who were contacted through

Qualtrics online panel. Qualtrics online panel solicits responses from a wide variety of respondents. Based on the researcher's specifications, Qualtrics panel prequalified respondents and the survey was only available to the qualified respondents. In addition, further screening questions were added to ensure that the respondents were qualified to take the survey. The screening questions asked respondents about their brand management responsibility and experience. Respondents not meeting the criteria were eliminated from the survey. The final sample for the study was 218. There was an equitable distribution of respondents who were responsible for individual brands and corporate brands, while most of them were managing brands aimed at end consumers.

Existing scales were used for measuring the constructs in the study. All scale items were anchored by "1–Strongly Disagree" to "5–Strongly Agree." Partial least squares based structural equation modeling (PLS-SEM) was used for analyzing the data. All the constructs met reliability and validity requirements. The square-root of AVE for each construct was higher than the shared correlations, providing evidence of discriminant validity as well.

### Summary of Findings

We found support for all the hypotheses. The direct associations between brand orientation and strategic brand management, and brand orientation and brand performance were positive and significant. The direct association of brand ori-

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entation with internal branding was positive and significant. Similarly, strategic brand management was positively associated with internal branding and brand performance. The relationship between internal branding was also significant. Additionally, internal branding partially mediated the relationship between brand orientation, strategic brand management, and brand performance. The results of the study indicate the key role of internal branding for brand management process. Internal branding represents the channel through which organizations can enhance the effectiveness of their brand management plans.

### **Key Contributions**

This study responds to the call for papers towards understanding the organizational level antecedents and consequences of brand management processes. Considering the high turnover of CMOs and brand managers, internal brand-

ing could provide the mechanism to reduce turnover of key brand employees and help execute strategic branding plans. Finally, this study extends the use of the RBV and literature on intellectual capital in the context of brand management by providing further evidence that internal alignment of employees can lead to the development of strong resources leading to a sustainable competitive advantage. From a managerial perspective, this study highlights the need for organizations to develop internal branding processes. Especially, with the current focus on brand cocreation, engaged employees are important for delivering consistent brand value to customers. The authors argue that by developing a strong internal branding process, organizations can enhance their brand performance and execute long-term strategic brand management plans.

*References are available on request.*

# Perceived Value of Service Interactions and Employee Intentions to Deliver Brand Messages

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*Anthony Di Benedetto, Temple University*

**Keywords:** *service marketing, internal marketing, marketing communication, perceived value, brand messaging*

**Description:** *This paper combines Self-Determination Theory and Regulatory Engagement Theory in order to develop and test a conceptual model of organizational service representatives' attitudes and intentions to share brand messages with customers.*

## EXTENDED ABSTRACT

In our current service-dominated market economy, the flow of information within and between market entities replaces the physical-goods supply chain as the primary source of value distribution. Information sharing activities and experiences are a primary concern of marketing and the key process upon which firms create and communicate stakeholder value, allowing firms to gain and sustain a competitive market advantage. In order to create a valuable service experience for external customers, a thoughtful internal marketing strategy that creates sustainable employee value at the point of customer interactions is paramount. In this essay, we develop a framework for understanding employee value and motivation to share company-relevant information with customers. Attitudes and intentions to share information with customers are formed through employees' intrinsic and extrinsic perceived value of information sharing activities. The customer-directed information sharing model is tested in an online lab setting, providing support to the proposed model.

### Research Question

In this research, we investigate whether sales representatives' attitudes and intentions to share brand messages with customers are affected by their perceived value of engaging in the message delivery interaction. In particular, intrinsic and extrinsic value perceptions are hypothesized to influence sales representatives' attitudes and intentions to share brand messages with customers. Furthermore, we are interested in identifying the underlying psychological determinants of intrinsic and extrinsic value perceptions. Specifically, we are

interested in whether the personal motivational *engagement intensity* underlying each type of motivation (intrinsic and extrinsic) affects brand message value perceptions, in addition to the perceived benefits of each motivation type.

### Method and Data

A conceptual model of brand message delivery is developed by combining two theoretical frameworks: Self-Determination Theory and Regulatory Engagement Theory. Self-Determination Theory is used to inform the types of motivation that drive employee communication choices, while Regulatory Engagement Theory is used to inform the psychological drivers underlying each type of motivation. Due to the need to measure perceptual constructs in the proposed conceptual model, a survey questionnaire methodology is used. The questionnaire integrates previously validated measures for each of the proposed constructs in the conceptual model. We then deploy the questionnaire to approximately 200 service representatives with frequent direct customer interaction. A Confirmatory Factor Analysis is utilized in order to validate the questionnaire, and the best-fitting model is selected based on a goodness of fit comparison. A Structural Equation Modeling technique is then used to test the directional effects proposed in the conceptual model.

### Summary of Findings

Sales representative attitudes and intentions to share specific brand messages are driven significantly by both extrinsic value perceptions (personal and professional outcomes to

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the rep as a result of engaging in specific message delivery) and intrinsic value perceptions (value the representatives perceives from engagement in the interaction, itself). Intrinsic (extrinsic) value perceptions are determined not only by the perceived intrinsic (extrinsic) benefits of brand message delivery, but also by the extent to which employees believe they are driven by intrinsic (extrinsic) motivation.

### **Key Contributions**

These findings provide a new avenue of investigation for research in the marketing of services. In service marketing,

interactions between employees and customers constitute an important but understudied branch of research. This conceptual framework aids understanding of why employees engage in customer-directed communications. This research sheds light on the role that the perceived enjoyment and expected outcomes of information sharing play in attitudes and intentions to engage customers in targeted communications.

*References are available on request.*

# Influence of Consumer Vanity on Employment of Impression Management Tactics and Their Consequences on Conspicuous Consumption Orientation

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**Keywords:** *impression management, consumer vanity, ingratiation, conspicuous consumption*

## EXTENDED ABSTRACT

### Research Question

Impression management (IM) describes efforts by an individual to create and maintain their identity to match with the image held by their target audience (Bolino, Long and Turnley 2016). In today's social media driven world, people are continuously aware and worried about others evaluation of them (Kramer and Winter 2008) and are more concerned about digital self-expression. Leary and Kowalski (1990) observe that even in relatively mundane encounters at home, work, school and elsewhere, people monitor others' reactions to them and often try to convey images of themselves that promote the attainment of desired goals. Because the impressions people make on others have implications for how others perceive, evaluate and treat them, as well as for their own views of themselves, people behave in ways that will create certain impressions in others' eyes (Lee et al. 1999; Bolino et al. 2016). While IM tactics have been extensively studied in organizational behavior and social psychology, within marketing, tactics that people use to manage their impression is not examined particularly from a consumption standpoint.

Consumer culture, developed largely with contribution of marketers, fundamentally emerges when a large portion of the society desires to be consume goods and services for symbolic and sensory reasons (Richins and Dawson, 1992). The underlying consumer value orientation behind such consumption is consumer vanity (Netemeyer, Burton and Lightenstein 1995), which is manifested by fixation with physical

appearance and achievement of personal goals. Thus, consumer vanity traits may have influence on IM tactics that a consumer adopts. While Leary and Kowalski (1990) opine that individual level determinants have an impact on one's IM tactic choices, little is known about how these determinants drive IM among people in everyday encounters involving social interactions. We attempt to fill these gaps by examining hitherto not explored mediating role of IM in trait aspects of Vanity and Conspicuous Consumption relationship which addresses two primary research questions. (1) Do vanity traits (i.e. positive and negative aspects of physical and achievement components) trigger IM tactics? In particular, which type of vanity component will trigger what particular IM tactic? and (2) which IM tactics significantly influence conspicuous consumption orientation? To address these questions, we draw on sociology, social and organizational psychology literature and in particular IM theory (Goffman 1959; Leary and Kowalski 1990). We specifically focus on assertive IM tactics including ingratiation, intimidation, enhancement and exemplification (Lee et al. 1999; Tedeschi and Melburg 1984) relating them with conspicuous consumption as an outcome and consumer vanity traits (Netemeyer et al. 1995) as determinants to inform our expectations of differing IM tactics usage.

### Method and Data

We designed a self-administered questionnaire, which focused on the constructs of consumer vanity, IM tactics,

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and conspicuous consumption orientation. The measures were borrowed or adapted from existing research. We followed standard psychometric procedure for questionnaire development with all measures assessed using seven-point Likert scales with “strongly disagree” and “strongly agree” as anchors. To measure face validity the questionnaire was assessed by two academics working in the field of psychology and marketing. To check content validity the questionnaire was pilot tested ( $n = 16$ ). A mall-intercept survey was carried out in several large cities across the United Kingdom including London, Manchester, Liverpool, and Glasgow Brighton among others. More than 900 respondents were contacted over the six week period with a final usable sample of 264 (approx. 29% response rate). Within the final sample 40.53% of respondents were female with 51.51% of the respondents belonging to the age group 18-25 and 31.90% belonging to 26-36 year age group. The mean age was 28.05 years. To minimize the common method bias, several recommended procedures were used as suggested by Podsakoff et al. (2003).

### Summary of Findings

- Offers a novel examination of individual level trait influences on IM and how it affects consumption behavior.
- Identifies which vanity traits trigger which specific assertive IM tactic.
- Which of the IM tactics influence conspicuous consumption orientation.
- Captures the mediating role of IM tactics on the relationship between vanity traits and conspicuous consumption orientation.

### Key Contributions

The study contributes to the existing literature in three ways. First, the conceptualization and framework developed in this study contribute to further development in the growing field of IM. We connect IM with individual difference variables of trait aspects of vanity and conspicuous consumption orientation and in turn offer a coherent framework that identifies drivers and consequences of IM along a variety of dimensions. We demonstrate the interaction between trait aspects of vanity and IM as a useful theoretical lens with a potential for better understanding consumer employment of IM tactics.

Second, by taking the individual level perspective involving the trait aspects of vanity and its influence on the employment of IM tactics, our study complements previous research that has primarily focused on IM in organizational setting (Bolino et al. 2016). In this regard, we provide empirical support for both physical and achievement vanity drivers and find noteworthy differences and similarities. We thus offer significant contribution to IM theory and consumer vanity literature in broader societal context.

Third, the study findings also provide insights regarding which IM tactic drives conspicuous consumption orientation. Across the four IM tactics, the findings demonstrate that those with concerns about their physical attributes and are unsure about their achievements tend to demonstrate conspicuous consumption orientation. Moreover, with regards to IM tactics it is observed that those intending to use ingratiation would demonstrate conspicuous consumption orientation. The display motive associated with conspicuous goods in highlighting one's personal qualities such as attractiveness has been noted earlier (Han et al. 2010). Moreover, conspicuous goods being overt in nature make it easier for an ingratiation to mimic others and thus attempt to fit in.

The study has implications for managers. As consumers regularly engage in IM, firms face the decision of adopting the right approach in aligning their branding and marketing strategies towards how to exploit the consumers' individual level traits and IM. Our findings help this decision. Specifically, ingratiation and enhancement tactics based messages will be preferable when the firm's products are positioned to serve heterogeneous needs. Gender-neutral products could particularly benefit from portraying these tactics in their communications. Particularly, associating the products in a way that it portrays personal qualities and in doing so enhances attractiveness will be readily accepted among those who wish to employ ingratiation tactics. Both ingratiation and enhancement tactics related communications will work when the product is targeted at those who wish to increase their physical attractiveness and are concerned regarding their achievements. On the other hand, intimidation and exemplification tactics offer solutions for context specific products.

*References are available on request.*



# Engaging Customers and Employees: The Real Recipe for Success? A Longitudinal Study of S&P 500 Firms

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**Keywords:** *interaction orientation, employee relations, S&P 500, content analysis, KLD*

## EXTENDED ABSTRACT

### Introduction and Conceptual Framework

Recent studies in strategic marketing emphasize the importance of customer and employee engagement in a firm's overall strategy (Jaakkola and Alexander 2014; Kumar and Pansari 2016). Results indicate it is crucial for the organization to value their employees first in order to achieve profitable customer relationships in the long term (Payne and Frow 2006; Zablah et al. 2012). However empirical evidence is still scarce. This paper aims to investigate the link between employee relations and customer interaction orientation, and their effect on firm performance.

Customers developed an increased interest in interacting with their environment, exchanging information about products and services, as well as requesting individual assistance (Knox and van Oest 2014). As a result, companies can achieve a sustainable competitive advantage by focusing on individual customer needs and addressing each request with a service or product that is perceived as being customized (Kumar and Ramani 2006). Actively interacting with customers is the focal point of Interaction Orientation (IO), a firm-level strategic orientation developed by Ramani and Kumar (2008) and defined as “a firm's ability to interact with its individual customers and to take advantage of information obtained from them through successive interactions to achieve profitable customer relationships” (Ramani and Kumar 2008, p.27). The IO concept consists of four dimensions: (1) Customer concept—the individual customer is the examination unit and starting point of all company's activities; (2) Interaction response capacity—responding to different customers using multiple means in a timely manner; (3) Customer empowerment—the firm encourages cus-

tomers to share information with the firm or with other customers; and (4) Customer value management—keeping an overview of how much revenue each customer generates, facilitating an efficient resource allocation (Ramani and Kumar 2008).

Being a fairly new concept, research on IO is still in its early stages, with researchers focusing mainly on a few antecedents and consequences using cross-sectional studies (e.g.: Chang, Wong, and Fang 2014; Thalmann and Brettel 2012). However, in order to establish a cause-effect relationship with performance or determine an antecedent, a longitudinal design is needed. Therefore, most research calls focus on the need to conduct longitudinal studies using objective performance data and taking into account the effects of the external environment (O'Cass and Ngo 2011; Ramani and Kumar 2008).

This paper aims to contribute to the existing research in the following three ways. First, to the best of our knowledge, this is the first paper to analyze the effects of IO and employee relations longitudinally, increasing the generalizability of the results, by introducing and successfully testing a new method for measuring IO. Second, by including a variety of industry leaders in our sample and relying on multisource secondary data for performance measures, we are able to compare the effects of implementing an IO within industries and establish if and under which circumstances IO is a true determinant for competitive advantage. Finally, we advance prior research by examining the role of employee relations in developing IO and its effects on firm performance.

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A company focused on IO is relying on its workforce to engage with customers, to understand and attend to their individual needs while establishing profitable relationships. Companies with strong employee relations encourage workers' involvement in decision-making processes and care about their safety and benefits, leading to higher employee satisfaction. Satisfied employees will be more engaged in their interaction with customers, resulting in a higher focus on the individual consumer. Therefore, we hypothesize that stronger employee relations are associated with higher IO (*H1*). Companies that implement IO get deeper knowledge about customers' individual needs and are able to respond with the appropriate products or services, which leads to increased customer satisfaction and loyalty. Customers are willing to pay and purchase more, which directly contributes to a firm's profit. Therefore, we state that higher IO is associated with higher firm performance (*H2*). Satisfied employees work effectively and efficiently, require less training and identify themselves with the company, making it less likely for them to quit. All of these actions translate into substantial cost savings, which lead to increases in firm's financial performance. Therefore, we hypothesize that stronger employee relations are associated with higher firm performance (*H3*). However, stronger employee relations still represent only a cost saving measure, while IO is a profit generating measure. Thus, we expect that the impact of IO on firm performance is greater than that of employee relations (*H4*).

## Methodology and Data

We collect our data from a multitude of secondary sources. We focus our sample on companies listed in the Standard & Poor's (S&P) 500 index, which includes large, publicly traded U.S. companies. We select a variety of industries that are highly competitive and with a strong focus on customer service: Retail, Services and Manufacturing. The large variety of industries represented in this study ensures a high external validity and increases the generalizability of our results. A period of four years is considered (2010–2013). We excluded companies with incomplete data, resulting in a final sample of 193 companies, covering 711 firm-years observations.

To establish the firm's level of IO, we analyze the content of Letters to Shareholders (LtS). LtS are written by firm's top executives, usually by the CEO, and published in the company's annual report. They include descriptions of the current and future directions of the firm and provide an insight into the minds of top executives (Barr, Stimpert, and Huff 1992; D'Aveni and MacMillan 1990). Thus, LtS are widely used to assess different strategic orientations, such as Entrepreneurial Orientation, Market Orientation or Learning Orientation (Noble, Sinha, and Kumar 2002; Short et al. 2010; Zachary et al. 2011). For the companies in our sample we downloaded

all available LtS and analyzed their content using manual coding as suggested by Morris (1994). A sentence-by-sentence coding procedure was implemented (Keusch, Bollen, and Hassink 2012; Noble, Sinha, and Kumar 2002), where each sentence was examined for evidence of the four IO dimensions. It was possible for one sentence to be coded as corresponding to more than one dimension. A detailed instructions manual was prepared and initial tests led to adjustments and optimization of the coding guidelines. Each letter was analyzed twice by two different reviewers, leading to an agreement median value of .92, which indicates a high level of validity (Cohen 1968). All the reliability and validity tests we conducted were successful, so we were able to aggregate IO as a sum of all dimensions.

To determine the quality of a firm's employee relations we used data from the KLD social stats. The database of Kinder, Lydenberg, and Domini Research and Analytics analyzes companies' actions in seven major qualitative issue areas including Corporate Governance, Community, Diversity, Employee Relations, Environment, Human Rights and Products. For this ranking, independent experts gather and assess information related to these specific areas from over 10,000 global media sources on a daily basis (Liston-Heyes and Ceton 2009). Based on the information collected, they then continue by rating each company regarding particular strengths and concerns. The wide scope of the KLD database is recognized throughout the existing literature, providing an objective, systematic and uniform assessment of the social behavior of companies (Semenova and Hassel 2015). In our study, following Werner (2015), we calculate the difference between the sum of strengths and the sum of concerns for the category Employee Relations. This category presents information related to Union Relations, Cash Profit Sharing, Employee Involvement, Retirement Benefits, Health and Safety, as well as Workforce Reductions.

We used data from ExecuComp to collect financial performance indicators (return on investment, net profit). We include several control variables: competitive intensity (Herfindahl Index), market turbulence (based on the coefficient of variation of net income in each industry), past performance of the firm, B2B vs. B2C, service vs. manufacturing industries, firm age, firm size, as well as industry specific effects. Having cross-sectional ( $n = 193$ ) and time-series ( $t = 4$ ) data, we applied a hierarchical multiple-regression model to test our hypotheses (Aiken and West 1991).

## Results and Implications

We analyze the effect of Employee Relations on IO and we find this to be positive and significant, supporting H1. In line with previous research assumptions and supporting H2, our first results confirm the positive relationship between IO and

firm performance, endorsing IO as a sustainable competitive advantage. Further results confirm H3 according to which stronger employee relations lead to increased financial performance. These results also validate H4 since in this model the impact of IO on firm performance is greater than that of employee relations.

This study lays the foundation of a new approach for investigating IO in a longitudinal setting and using objective

financial performance indicators to uncover antecedents and consequences. Furthermore, this study provides strong empirical evidence that a successful implementation of IO needs a simultaneous focus on the organization's workforce: strong employee relations lead to more customer oriented interactions which in the end contribute to higher financial performance.

*References are available on request.*

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# Reverse Innovation: How to Use Emerging Markets as a Source of Corporate Competitive Advantage

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**Keywords:** *reverse innovation, emerging markets, bottom of the pyramid (BOP), global marketing*

**Description:** *This explorative study, based on multisource and multiindustry data, explores the process and the drivers of the transfer of innovations from emerging to developed markets, referred to as reverse innovation.*

## EXTENDED ABSTRACT

### Research Question

Addressing resource-constrained customers at the so-called bottom of the economic pyramid (BOP) in emerging markets entails business opportunities beyond local market borders. Multinational corporations can leverage innovations developed for BOP customers in emerging markets to serve customer needs unsatisfied by traditional offerings in developed markets (Govindarajan and Trimble 2012). Surprisingly, little research explores the drivers of the transfer of innovations from emerging to developed markets, referred to as reverse innovation endeavors.

Prior research in the field of reverse innovation is scarce, with most insights stemming from anecdotal (e.g., Govindarajan and Trimble 2012; Govindarajan 2012) or case-based research (Immelt, Govindarajan, and Trimble 2009; Ray and Ray 2011). The necessity of further in-depth exploratory research on this phenomenon has been identified, as academics agree that reverse innovation fundamentally differs from traditional, well-explored international innovation approaches such as globalization (Barczak 2012; Subramaniam, Ernst, and Dubiel 2015; von Zedtwitz et al. 2015; Zeschky, Winterhalter, and Gassmann 2014). We address this research gap and address the following research question: How MNCs can foster the reverse transfer of innovations for BOP customers in emerging markets to developed markets.

### Method and Data

Given the fragmented and scarce literature on reverse innovation, we adopted an exploratory research approach. Data triangulation via the comprehensive analysis of multisource data from in-depth interviews, archival inquiries (annual reports, case studies, additional information provided by the interview participants or gathered in secondary research on firms' websites or news blogs), and a manager workshop helped to ensure the validity of our findings as well as to address the common method bias. We conducted in-depth interviews over a two-year period with 18 mid- and senior-level managers from MNCs experienced with reverse innovation. We requested our interview partners to provide insights on a project-specific level, studying both successful and unsuccessful attempts of reverse innovation. A manager workshop with 35 participants from different industries provided additional insights on the drivers of RI. The collected data was transcribed verbatim and then structured, coded, and analyzed by two independent researchers to ensure the reliability of our findings (Perreault and Leigh, 1989; Strauss and Corbin 1990, 1998).

### Summary of Findings

First, we find that reverse innovation comprises a three-step process: (1) the development of innovations in emerging markets with an outstanding cost-benefit ratio, referred to as value innovations, (2) the recognition of these value innova-

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tions on the corporate level, and (3) the effective transfer of these value innovations to developed markets. Second, based on the analysis of this three-step process, our data further reveal that the drivers of reverse innovation can be differentiated according to two different points during the reverse innovation process.

A first set of drivers facilitates the move from value innovations to the corporate recognition of value innovations: High degrees of internal embeddedness of emerging market business units, the establishment of global market screening units, problem-based market clustering, cultural and national diversity of management, as well as open and flexible innovation mindsets. A second set of drivers enables that value innovations are effectively transferred from emerging to developed markets, once recognized on the corporate level: Low degrees of fear of cannibalization, cross-market differences in standards and norms, cross-market differences in legal and regulatory frameworks, and lobbyism.

### **Key Contributions**

While both academia and practice acknowledge the relevance of developing innovations for BOP customers in

emerging markets and reverse innovation (e.g., Corsi, Di Minin, and Piccaluga 2014; Ernst et al. 2015), our study is the first to explore the links between both concepts and the underlying process driving them. Specifically, our study provides two major contributions.

First, we propose a comprehensive conceptualization of reverse innovation as a three-step process. Our process model establishes the managerial and organizational link between innovation development for BOP customers in emerging markets and reverse innovation and embeds both phenomena in a well-grounded conceptual framework. Second, we provide comprehensive insights on the individual drivers of reverse innovation throughout the three identified process steps. In so doing, we explain how MNCs can maximize their benefits from innovating for BOP customers in emerging markets via global-scale reverse innovation.

*References are available on request.*

# Assessing Consumer Preferences for Foreign and Domestic Products Before and During an Economic Crisis: A Longitudinal Examination

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**Keyword:** *consumer ethnocentrism, game theory, diners' dilemma, longitudinal, recession*

## EXTENDED ABSTRACT

It is unsurprising that consumer attitudes, preferences, and purchase behavior adapt to changing economic environments. Consumers tend to value shop and yet purchase more domestic goods. Interestingly, these two reactions, at least from consumers in developed economies, would seem at odds. If we assume traditional theories such as the International Product Life Cycle (IPLC) (Vernon 1966) still hold, then one would presume that on average foreign goods would be marginally cheaper. However, consumer psychology might suggest rationale for consumers' to focus on domestic purchases due to blame and reactive attitudes (Wallace 1994). In the international marketing literature, much of the recent research on the attitudes toward purchasing foreign and domestic goods has been completed within the consumer ethnocentrism theme. However, these models assume static consumer preferences for domestic and foreign purchases over time. Yet, over the last decade the economic reality for most consumers has changed dramatically.

If we assume that the mix of domestic versus foreign good purchases in an economy has reached a basic equilibrium before an economic downturn, then it is reasonable that, on average, the comparative marginal value of the domestic goods equals that of foreign alternatives (otherwise the mix would be different). Treating this as a starting point, we witness changes in the relative marginal values of domestic vs. foreign goods as a recession occurs. Purposely buying a higher proportion of domestic goods maintains individual

utility at reduction of group costs (employment, domestic GDP etc.). Alternatively, a consumer would tend to purchase more foreign goods only on the basis of increased personal utility at the cost to the group.

The perception of change in marginal benefit/cost function can be derived by several sources. The obvious change derives from macroeconomic forces as consumers spend less overall. This often results in lower overall prices as companies adjust price strategies to decreasing demand and increases in their short-term inventories.

Since consumers generally become more price sensitive during a recession, the perceived cost differences among goods as also become larger. What was a relatively minor cost difference in good economic times becomes significant as consumers attempt to save money, shop more frugally, and pay more attention to price. If we further assume that on average, in industrialized countries, consumer goods are less expensively produced in foreign countries, as previously suggested by the IPLC, then foreign goods become perceived as relatively cheaper during a recession due to higher consumer price sensitivity than before the recession. Further, domestic goods increase in marginal value relative to foreign goods due to the collective hedonic or attitudinal benefits they provide during a recession as consumers want to protect the local economy. The resultant assumptions are that foreign goods become marginally less expensive in developed coun-

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tries and that there are gains from trade that can be lost through shifting marginal purchase patterns to more domestic goods.

This research employs a game theoretic approach in combination with an adapted Consumer Ethnocentrism (CE) model to examine how consumers react to the onset of an economic downturn. A Diners' Dilemma game (CITE) is proposed whereas under a single iteration the Nash equilibrium is to defect (buy domestic goods), but an iterated game should result in a Nash Equilibrium with little change in the mix. The theory of comparative advantage (Ricardo 1817) suggests that gains of trade will be lost by moving away from equilibrium and protecting the local economy, even today (Costinot and Donaldson 2012). Thus, the most efficient model is continuing or even increasing trade to take advantage in gains. Alternatively, if consumers act completely in their own best interest, they would shift their marginal product mix toward less expensive foreign goods. This is easily examined at a macro level though trade balances, however the underlying consumer mechanisms would be unclear. To examine these mechanisms, we adapt a CE model (Zeugner-Roth, Žabkar, and Diamantopoulos 2015) that includes both Domestic Purchase Intentions (DPI); Foreign Purchase Intentions (FPI); Consumer Ethnocentrism (CE); Quality Consciousness (QC); National Identification (NI); and Cosmopolitanism (Cosmo).

To determine consumer reactions to an economic downturn, five proposed models are defined from the Diners' Dilemma: (a) Defensive Approach where consumers shift purchases to domestic goods to protect their economy; (b) Boycott Approach where consumers reduce expenditures on foreign goods; (c) Fortress Mentality where consumers react with both the defensive approach in combination with the Boycott approach; (d) Globalization Response where consumers react by continuing their current mix of foreign and domestic goods; and (e) Value Approach where consumers purchase marginally more inexpensive foreign goods. For each variation, hypotheses are developed with regard to changes in each linkage in the CE model.

Parallel consumer data were collected both before and after the 2008 economic downturn in each of three countries: US, Italy, and Lithuania. Sample sizes ranged from 288 to 443, which were from the same sample frame in each country across both time periods. Previous measures were adopted for this study from Keilor et al. (1996); Yoon et al (1996);

Shimp and Sharma (1987); Sproles and Kendall (1986); and Granzin and Olsen (1998). Measures were subjected to Confirmatory Factor Analysis (CFA) to determine the measurement properties, which were deemed acceptable in all samples. Three structural equation models by country were estimated with two groups each—one for before and one after the economic downturn. Parameters between the time period groups were forced equal and the D-Squared statistic were used to determine changes in the model over time.

In each of the three countries, the model changed significantly from before the economic crisis, although Italy was the most resilient with the least amount of changes. The results suggest that consumers react somewhat consistently across countries to an economic downturn. All three markets showed some evidence of a Defensive approach—shifting marginal purchases toward domestic purchases. In all three countries the direct effect of CET on DPI became stronger positive, indicating a tendency to focus on domestic purchases to protect the home economy. However, in both the US and Lithuania there was additional evidence of moving away from foreign purchases as the indirect effect of NI on FPI became more pronounced, while the indirect effect of Cosmo on FPI became less pronounced. In both Italy and Lithuania there was also a flight toward domestic quality purchases as the effect of QC on DPI became stronger. Interestingly, in the US the link between QC and FPI became weaker—indicating a shift away from foreign quality products.

Previous research has shown that consumers tend to respond to economic downturns by buying higher quality durable goods (Katona 2013) and more local goods (Ang, Leong, and Kotler 2000, Zurawicki and Braidot 2005)), becoming more price conscious (Sharma 1978, McKenzie and Scharrodsky 2005), paying less attention to ethical consumption (Auger et al 2003), and reducing their impulse purchases (Hampson and McGoldrick 2013). However, the mechanisms in the shift between the purchase of foreign and domestic goods has not been examined. Herein, the contribution lies in not only this examination of the economic crises effect, but examining the underlying origins in the CE model that potentially drive this phenomena. The findings have important implications for global and local consumer culture positioning strategies (Westjohn, Arnold, Magnusson, and Reynolds 2016) of domestic and nondomestic firms.

*References are available on request.*

# Product's Characteristics as Drivers of Trickle-Down and Reverse Innovation: Evidence from the Food Industry

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**Keywords:** *emerging countries, trickle-down innovation, reverse innovation, product innovation*

**Description:** *The authors use a hazard model to investigate the characteristics of innovative products that trickle-down from developed countries to emerging ones or trickle-up from emerging countries to developed ones.*

## EXTENDED ABSTRACT

### Research Question

Innovation for the emerging countries is nowadays a hot topic among scholars and practitioners. Despite this, most firms are still neglecting emerging countries as a potential locus of innovation. Emerging countries are thus typically served via Trickle-Down of innovations initially targeted at developed countries. However, at times, innovations initially intended for consumers in emerging countries may trickle-up to developed countries, leading to the so-called phenomenon of *Reverse Innovation*.

In this contribution, we investigate global innovation launch patterns in the food industry in order to better understand the phenomena of Trickle-Down and Reverse Innovation. More specifically, we investigate those product characteristics (i.e., price, number of claims, and package size) that may facilitate or inhibit both Trickle-Down and Reverse Innovation.

### Method and Data

We collect information on product launches in the food industry between 2001 and 2014. For each launch in our dataset, we specify whether the corresponding country is *developed* or *emerging*. In doing so, we build on the World Economic Outlook, a report published twice a year by the International Monetary Fund.

Our final sample comprises 66,810 innovations for overall 127,782 launches across 51 countries. Since our data are right-censored, i.e., not all innovations trickle by the end of

2014, we use a Hazard Model at the innovation level to investigate the roles of price, number of claims, and package size in both Trickle-Down and Reverse Innovation.

More specifically, for each innovation we track the time lapse in days between its first launch in a developed (emerging) country and its first launch in an emerging (developed) country. The event of interest, or failure, is thus the first launch of an innovation in a country that is different (i.e., emerging vs. developed) from the one in which the innovation was initially launched.

### Summary of Findings

We find that price has a positive impact on the hazard rate of Reverse Innovation. Thus, higher-priced innovations are more likely to trickle-up from emerging countries to developed ones. Similarly, number of claims has a positive impact on the hazard rate of Reverse Innovation. Thus, innovations associated with a superior number of claims are more likely to trickle-up from emerging countries to developed ones.

Further, we find that package size displays a negative effect on the hazard rate of Reverse Innovation. Hence, innovations characterized by a smaller package size are more likely to trickle-up from emerging countries to developed ones.

Finally, we show that an increase in price has a negative impact on the hazard rate of Trickle-Down Innovation. Thus, lower-priced innovations are more likely to trickle-down from developed countries to emerging ones.

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## **Key Contributions**

Our study contributes to research that explores innovation *for* and *from* emerging countries. It thus contributes to a relevant but still underdeveloped topic in the literature and responds to recent calls to conduct more marketing research on emerging countries (see e.g., Banerjee, Prabhu, and Chandy 2015; Sheth 2011). More specifically, we add to the research streams on Trickle-Down and Reverse Innovation and partially fill a gap in the literature as it still lacks a comparison of innovations following different global launch patterns.

Our findings offer relevant implications both to practitioners and policy makers. On the one hand, firms willing to accelerate their innovations' diffusion across countries, and, in particular, across countries characterized by different levels of development, may learn how to properly manage traditional marketing levers such as price, claims, and package size. On the other hand, policy makers wishing to raise export levels for domestic innovations could implement policies in this direction by building on our findings.

*References are available on request.*

# Design Newness, Product Innovativeness, and the Role of Emerging Country of Origin

*Anshu Saxena Arora, Savannah State University*

*Amit Arora, Savannah State University*

**Keywords:** *design newness, technical newness, really and incrementally new products, utilitarian versus hedonic product categories, country of origin*

## EXTENDED ABSTRACT

### Research Questions

The specific research questions that this paper addresses are summarized below.

1. How does customer response compare between INPs and RNPs with respect to varying levels of design newness coupled with technical newness when the incremental or radical innovation originates from emerging economy?
2. Do responses to design + technical newness for INPs and RNPs differ across utilitarian versus hedonic product categories when the incremental or radical innovation originates from emerging economy?

### Method and Data

Two experimental studies 1 and 2 were conducted in this research to test the effects of differential levels of design + technical newness on purchase intentions when consumers confront utilitarian versus hedonic products from developing COO (Turkey in study 1, and China in study 2).

### Summary of Findings

Our research investigates consumer responses when incrementally new and/or radically new products come from emerging economies. Through two experimental studies, we found that consumers preferred high design newness for both incrementally new and really (radically) new utilitarian products originating from developing countries (emerging country-of-origin (COO) situation). In contrast, consumers preferred high design newness for incrementally new hedonic products while avoiding radically new hedonic products completely during emerging COO situation. The results have important implications for researchers and managers in

developing incremental and radical innovations by understanding differential performance effects of levels of design and technical newness with respect to emerging COO situations and consumer purchase intentions.

### Key Contributions

Our research found that design newness (especially, varying levels of design newness coupled with technical newness) is a key component that drives consumer purchase intentions and is fertile ground for future research, especially in the context of INPs–RNPs, hedonism–utilitarianism, and emerging COO. We contribute to visual product design (design + technical newness), NPD, innovation, and COO literature.

The research has several limitations that can provide opportunities for future research. Even though our sample sizes were representative of the target population using innovative products, and we controlled for consumer innovativeness and target household income (>\$ 70, 000 per annum); yet this may not be the most appropriate target sample for the product innovations used in the studies. Future researchers can target relevant consumer populations for incremental and radical innovations. A cross-cultural consumer study of evaluating design and technical newness for INPs and RNPs may provide interesting results that can potentially help developed-market and emerging-market firms aiming at doing business in emerging economies. Future researchers can combine incremental—radical innovations with developed—emerging COO situations to determine high- versus low-risk scenarios, and study their consequential effects to NPD and product design.

*References are available on request.*

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# Cultural Distance and Its Impact on Cross-Country Innovation Launch Patterns: Insights from the Food Industry

*Verdiana Giannetti, Bocconi University*

**Keywords:** *innovation diffusion, product innovation, cultural distance, economic distance*

**Description:** *The author investigates the impact of cultural distance on (1) the number of launches across a certain lead country-lag country pair, as well as on (2) the time it takes for innovations to be launched from a certain lead country to a certain lag country.*

## EXTENDED ABSTRACT

### Research Question

This contribution focuses on the impact of national culture on innovation launch patterns across countries. In particular, it investigates the effect of cultural distance—i.e., the extent to which a country's culture is different from another country's culture—on (1) the number of launches across a certain lead country-lag country pair, as well as on (2) the time it takes for innovations initially launched in a certain lead country to be eventually launched in a certain lag country.

I expect cultural distance to decrease the number of launches across a certain lead country-lag country pair, as well as to increase the time it takes for an innovation to move from a certain lead country to a certain lag country. Hereinafter, building on the literature, I define *lead country* as the first country in which an innovation is launched, while I define *lag country* as each country in which the innovation is launched after being first launched in a certain lead country.

In addition to investigating the role of cultural distance, the present contribution investigates also the roles of historic, economic, and geographic distances in influencing innovation launch patterns *across* countries.

### Method and Data

I collect information on new products' launches in the food industry between 2001 and 2014. In particular, I collect yearly data on the number of launches in each lag country for innovations initially introduced in each lead country. Further, for each innovation I compute time to launch, i.e., the time in

days between the first launch of the innovation in its lead country and its first launch in each potential lag country. Data on cross-country distances come from multiple sources.

In Model 1, I investigate the effect of cultural distance on the number of launches across a certain lead country-lag country pair by running a random effects panel model.

In Models 2 and 3, I investigate the effect of cultural distance on the time it takes for innovations to be launched from a certain lead country to a certain lag country. As data are right censored, I use an accelerated failure time model, which allows for right censoring.

### Summary of Findings

I find that cultural distance operates in determining both the number of launches across a lead country-lag country pair and the time it takes for an innovation to move from a given lead country to a given lag country.

More specifically, as expected, an increase in cultural distance reduces the number of launches across a lead country-lag country pair while it increases the time it takes for an innovation initially introduced in a certain lead country to be eventually launched in a certain lag country.

Similar effects are also identified for historic, economic, and geographic distances. All these variables play a significant role in influencing both the number of innovation launches across two countries and the time it takes for an innovation

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to move from a country to another. As an example, economic distance, here represented by differences in GDP per capita, inhibits innovation diffusion across countries, while the presence of migrants from a certain country in another country facilitates innovation diffusion.

### **Key Contributions**

Despite the fact that launching innovations in the global marketplace is today a priority for firms, cross-country innovation launches have received thus far limited attention in the literature (Yeniyurt, Townsend, and Talay 2007, Subramaniam, Rosenthal, and Hatten 1998). This contribution is

aimed at partially filling this gap in the literature by investigating the effects of cultural distance on cross-country innovation launch patterns.

Findings from this paper offer relevant managerial implications. In particular, they provide practitioners with additional insights on how innovations are launched across countries in today's global marketplace. In doing so, they could contribute to informing managerial decisions concerning potential destination countries for innovations.

*References are available on request.*

# Friends or Enemies? The Dynamic Impact of Foreign Products on Domestic Counterparts in Emerging Markets

*Jingcun Cao, Indiana University*

*Shibo Li, Indiana University*

**Keywords:** *emerging markets; dynamic competition, movie industry, policy evaluation, dynamic linear model, hierarchical Bayes model*

**Description:** *This paper investigates the dynamic impacts of foreign products on domestic counterparts in emerging markets.*

## EXTENDED ABSTRACT

### Research Question

In emerging markets: (1) What are the impacts of foreign products on domestic counterparts' sales in both the long run and short run? (2) What are the impacts of import policy change on the competitive relationship between foreign and domestic products in both the long and short run? (3) Will the impacts be differentiated for foreign products with different quality tiers?

### Method and Data

We propose a dynamic linear model (DLM) to capture the dynamic impact of foreign products on domestic counterparts over their life cycle. We plan to estimate the model with Markov chain Monte Carlo (MCMC) techniques (Gibbs sampling; Chib and Greenberg 1995) using data from Chinese movie market. On average, a movie's theatrical exhibition lasts about 35 days in China. During this extremely short period, the revenue of most movies will experience a fast decline. The DLM is well suited to account for the possible nonstationarity of the data without data transformation (Ataman, Van Heerde and Mela 2010). The hierarchical Bayesian approach embedded in the DLM could successfully accommodate product heterogeneity, distribution channel heterogeneity, as well as the time heterogeneity (Van Heerde, Mela and Manchanda 2004). The data set for this study consists of the daily box office revenues for 1,719 movies exhibited at 4,517 cinemas in China from October 2010 to January 2015. China has implemented the "import

quota" policy on foreign movies for over 20 years, which restricts the maximum quantity of movies imported per year. In 2012, China suddenly announced to raise its film import quota by 70 percent.

### Summary of Findings

There are two types of contracts for foreign movies shown in China: (1) sharing revenue (known as "split movies") and (2) paying a lump sum (known as "buyout movies"). We expect both the foreign split movies and foreign buyout movies have negative impact on domestic movies' sales in the short term. Since split movies have a higher perceived quality than buyout movies, we suppose that the negative impact from split movies is stronger than that from buyout movies in the short term. For the long run, we suppose that both split and buyout movies will have positive impacts on Chinese domestic movies' sales, where split movies are expected to have a larger positive impact. Relaxation of the import policy is expected to exacerbate the negative impacts from both foreign split and buyout movies in the short run, while it will strengthen the positive impact of split and buyout movies in the long run. Moreover, the relaxation of import policy is expected to have a stronger impact on the competitive relationship between foreign split movies and domestic movies.

### Key Contributions

This paper contributes to the literature on the interactions among emerging markets, new product competition, and the

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movie industry. First, this is the first empirical study that examines the dynamic impacts of foreign products on domestic counterparts' sales in emerging markets in the short run and long run. With better knowledge of the dynamic competition status between different tiers of foreign and domestic movies as well as the dynamic competition within domestic movies, distributors could strategically organize their theatrical release time to cope with the effects of imported movies, and cinema managers could optimize the screen management and pricing strategy. Second, this study will not only shed light on the understanding of an

influential policy change on the largest emerging market, but also offer insights into research on import regulations of other countries. With the findings of this study, policy makers could evaluate the effectiveness of import policy change. Third, this paper provides managerial implications on the new product releases in the entertainment industry in emerging markets, such as sports and films, where most products have a very limited life span and experience a fast decay after their launch.

*References are available on request.*

# How Schwartz Values Influence Responses to Differently Framed Charity Appeals

*Nathalie Dens, University of Antwerp; Antwerp Management School*

*Sarah De Meulenaer, University of Antwerp; ING*

*Patrick De Pelsmacker, University of Antwerp; Ghent University*

**Keywords:** *Schwartz values, charity advertising, in-group, out-group, model singularity*

**Description:** *This paper investigates how Schwartz values drive differences in (a) attitude toward the charity, (b) interest in additional information about the charity and (c) intention to donate money to the charity in response to a charity appeal depicting a single model or a group of models belonging to respondents' in-group or out-group.*

## EXTENDED ABSTRACT

### Research Question

Charitable donation has always been a vital funding source for charities. The question of how charities should best frame their fundraising appeals is therefore of critical importance. In the present study, we focus on two framing techniques model group belonging (whether the depicted models are part of message recipients' in-group vs. out-group) and singularity of the advertising model(s) (whether a single model vs. a group is depicted). The objective of this paper is to find out how responses to these framing techniques are moderated by message recipients' personal values from Schwartz's (1992) value framework.

### Method and Data

We set up a 2 (model singularity: individual vs. group) x 2 (model group belonging: in-group vs. out-group) between-subject experiment in France. We developed stimuli promoting a small, unknown charity, YouBridge. The charity appeal pictured either a woman smiling and giving a "thumbs up," or a small group with an equal amount of men and women. Model group belonging was manipulated based on ethnicity (in-group = Caucasian, out-group = Indian).

We collected data through the online panel of a professional market research agency ( $n = 172$ , all Caucasian, 46% male, average age: 41 years). Respondents were randomly exposed to one of the four charity appeals, and subsequently

answered the dependent variables on seven-point Likert-type scales: attitude toward the charity (3 items,  $\alpha = .95$ ), interest to receive additional information about the charity (1 item) and intention to donate money to the charity (1 item). Lastly, we measured Schwartz values using the short Schwartz values survey (one item per value) (conservation  $\alpha = .80$ , self-enhancement  $\alpha = .87$ , openness-to-change  $\alpha = .73$ ). Based on previous research about Schwartz values and prosocial behaviour, we examine hedonism, universalism and benevolence as separate values. The other values are analyzed at the level of the value type.

### Summary of Findings

The results indicate that, with the exception of openness-to-change and universalism, Schwartz values moderate at least one of the tested relationships.

Regarding the effect of model singularity, we found that people high in hedonism and self-enhancement, two values related to individualism, responded better when an individual model is depicted, than when a group is depicted. Conservation and benevolence, two more collectivistic values, lead to better responses to a group charity appeal over an appeal with a single model.

Regarding model group belonging, previous research has almost consistently found that respondents prefer advertis-

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ing models of their own ethnicity (e.g., Brumbaugh and Grier 2006). Our results tried to qualify these findings by showing that responses may depend on the personal values of the individuals. We found that the preference for in-group over out-group stimuli is especially present with higher self-enhancement values. Previous research has also found that self-enhancement is positively correlated with in-group favouritism (Feather 1994). At the same time, it should be noted that we did not find an interaction between model group belonging and conservation, openness-to-change, hedonism and universalism. The main effect of model group belonging was also not significant in any of the regressions, indicating that there does not seem to be a general preference for in-group over out-group stimuli in the present sample.

### **Key Contributions**

Personal values are important forces that drive charitable giving (Bekkers and Wiepking 2010), but empirical studies

are scarce. This study looks into how personal Schwartz values moderate the effects of model singularity and model group belonging on consumer responses to a charity appeal.

Theoretically, we investigate advertising message framing techniques in a charity appeal context. We also investigate boundary conditions of the effects of these framing techniques by studying individual values. The results provide support for congruity theory, at least with respect to the interaction between model singularity and the Schwartz values. Practically, managers should be aware that some Schwartz values will impact the responses to charity appeals. The full paper offers managerial contributions for charities to increase donations in diverse target groups.

*References are available on request.*



# Environmental Scanning and Global Marketing Strategy: A Multitheoretical Normative Conceptual Framework

*Philip J. Boutin Jr., Eastern Kentucky University*

**Keywords:** *global marketing strategy, environmental scanning, industrial organization theory, resource-based view, strategy fit paradigm*

**Description:** *This research paper involves the development of a normative conceptual framework of global or international marketing strategy for academic researchers and practitioners that is informed by multiple literature streams and theoretical foundations, including environmental scanning, the strategy fit paradigm (environment-strategy coalignment), industrial organization theory, the resource-based view, and perceived environmental uncertainty.*

## EXTENDED ABSTRACT

### Research Question

Despite the attention paid to *environmental scanning* (ES) and its conceptualization as an activity that can inform organizational strategies, little research in the extant marketing literature, including on global or international marketing strategy, has incorporated ES as a separate construct. A search of research contributions published in “Scholarly (Peer Reviewed) Journals” or the “Academic Journals” Publication type in the *Business Source Complete* database in August 2016 using broad combinations of relevant search terms provided evidence for how few research contributions in the broad area of marketing and the more specific area of international marketing strategy have incorporated the ES construct in any form. The results provide evidence of the gap that exists in the body of knowledge for the use of ES in the marketing research discipline and global or international marketing area. Therefore, this paper argues that ES should be included as a separate construct in conceptual models explaining global or international marketing strategies by organizations based on the evidence from the extant literature indicating the importance of ES to organizational strategy formulation, implementation, and performance. Overall, the purpose of this research paper is to develop and propose a normative conceptual framework of global or international marketing strategy for academic researchers and practitioners that is comprehensive yet parsimonious and informed by multiple literature streams and theoretical foundations.

### Summary of Findings

The proposed multitheoretical normative conceptual framework created is primarily based on: (1) the *strategy fit paradigm (environment-strategy coalignment)* (e.g., Aldrich, 1979; Chakravarthy, 1982; Jauch and Osborn, 1981; Miles and Snow, 1978; Porter, 1980; Venkatraman and Prescott, 1990); (2) various theories, frameworks, and models, including *industrial organization theory* (e.g., Bain, 1956, 1959; Chamberlin, 1933; Mason, 1939) and the *resource-based view* (e.g., Barney, 1991; Penrose, 1959; Wernerfelt, 1984); and (3) various concepts and research streams in the extant literature, including *perceived environmental uncertainty* (e.g., Galbraith, 1973; Boyd and Fulk, 1996) and *environmental scanning* (e.g., Aguilar, 1967; Coulter, 2005). Research propositions include:

- P1: Organizational characteristics (i.e., internal forces) will impact organizations’ (a) formulation and implementation of their global marketing strategy, and (b) the performance of their global marketing strategy.
- P2: External environment characteristics (i.e., external forces) will impact organizations’ formulation and implementation of their global marketing strategy
- P3: The level of environmental scanning by an organization will impact the relationship that exists between various

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organizational characteristics (i.e., internal forces) and organizations' formulation and implementation of their global marketing strategy.

P4: The level of environmental scanning by an organization will impact the relationship that exists between various external environment characteristics (i.e., external forces) and organizations' formulation and implementation of their global marketing strategy.

P5: (a) The level of environmental scanning by an organization will impact the level of perceived environmental uncertainty, and (b) the level of perceived environmental uncertainty by an organization will impact the level of environmental scanning.

P6: The level of perceived environmental uncertainty will impact organizations' formulation and implementation of their global marketing strategy.

P7: Organizations' formulation and implementation of their global marketing strategy will impact the performance of their global marketing strategy.

### **Key Contributions**

The result of this conceptual research contribution was the creation of a proposed multitheoretical normative conceptual framework for global marketing strategy that is comprehensive yet parsimonious and, as a contingency framework, can be leveraged by academic researchers and practitioners for their respective activities in a myriad of contexts. It was also to call attention to the lack of consideration on the part of academic researchers to organizational environmental scanning activities as part of the conceptual and empirical research they conduct on global marketing strategy. Overall, the hope is that this contribution can help generate more attention to the topic from researchers and practitioners.

*References are available on request.*

# Global Consumer Behavior: A Synthesis and Managerial Implications of Interpretivist Studies

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*Marius K. Luedicke, City University of London*

**Keywords:** *globalization, systematic review analysis, global brands, consumer empowerment, consumer identity, cross-cultural mobility*

**Description:** *This study presents a systematic review analysis of the last 30 years of research on globalization's impact on consumers' behaviors.*

## EXTENDED ABSTRACT

### Research Question

The objective of this study is to answer the question of “how has globalization impacted on consumers’ lives?” To this end, we have engaged in a systematic review of primary studies in the literature to first synthesize different theoretical approaches used to examine the phenomenon of globalization, second, identify assumptions underline each perspective, and third, describe how each perspective has informed managerial decisions and marketing strategies.

### Method and Data

In this study we follow the framework of systematic review analysis (Schreiber et al. 1997; Timulak 2009) aiming at bringing together different theoretical views on globalization and synthesizing studies by identifying important features, analyzing ambiguities, and examining similarities and conflicting findings in the primary studies. We searched for the last 30 years of studies on 11 marketing and consumer research scholarly sources. Our review has emphasized on interpretivist studies that report on culturally and historically grounded analyses in order to derive different theoretical perspectives on globalization as well as the assumptions underline each perspective (Cayla and Arnould 2008). Primary studies were selected in three stages. The Boolean logic terms “or” and “and” were used to combine search results at each stage. Search for articles were also complemented with forward and backward citation tracking.

Initial search included indications regarding globalization (such as cross-cultural consumption, mobilities, global brands, global lifestyle, and travel) and produced over 2,000 articles that were used when applying the second inclusion criteria. Second search terms were used to identify articles that reported on concepts and phenomena related to consumption and consumer behaviour (such as consumption of global brands, consumers’ relations with ethnic products, and consumers’ reactions to globalization strategies). Therefore, studies predominantly concerned with marketing strategy topics, such as branding and product positioning strategies, are excluded at this stage. The result of the second inclusion criteria was over 200 articles. Each article was read carefully and the results were recorded into an excel file for further analysis. Following from this, final search terms were used to identify articles that reported studies predominantly using qualitative research design (few studies using mixed method techniques were also included in the final sample). The result of applying the three sampling criteria was 43 articles.

### Summary of Findings

Over the past thirty years, the field of global consumer research has made significant progress in understanding how globalization has impacted on consumer’s lives. However, their diagnoses are incoherent, in parts even contradictory, ranging from celebratory to highly critical. As a result, mar-

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keting managers are advised to follow strategies that are at times inconsistent in implementation and performance. Through the systematic review of the last 30 years of interpretivist studies on globalization's impact on consumers' behaviors, this study has distilled three distinct perspective—i.e. homogenization, appropriation, and deterritorialization—that have theorized globalization in different ways. Each perspective is illustrated through its specific underlying assumptions regarding the nature of consumer cultures, the role of individual consumers' agency on impacting global consumer products, and the hierarchical relations between countries that structure globalization.

The impact of globalization on consumers' behaviors are reviewed under 4 key domains that have emerged as most discussed in the literature: consumption of global brands, consumer's experience of empowerment, consumer identity expressions, and cross-cultural consumer mobilities. Different approaches on each domain and the implications regarding consumption are illustrated under each perspective. For instance, three distinct definitions of global brands are identified under different perspective (i.e., global brands are universal and represent Western lifestyle that are formed via

standardization strategies, global brands are flexible towards different cultures and are formed via hybridization techniques, and global brands are detached from any particular locality and are formed via strategies of creating multicultural image). The insights from the 4 domains are used to formulate managerial implications and future research avenues.

### **Key Contributions**

This study extends the current knowledge by providing the following contributions. First, we identify three distinct theoretical understandings of the globalization notion that structure the literature. For each perspective, we show how a specific theoretical approach is used in the literature in studies illustrating certain meso- or micro-level consumption phenomenon. Second, we analyze the managerial implications and recommendations of each perspective by showing how each approach studies consumption of global brands, consumer's experience of empowerment, consumer identity expressions, and cross-cultural consumer mobilities. Third, we develop research agenda and identify important areas that demand further research.

*References are available on request.*

# Product Ethnicity: Comparing Its Impacts on Product Evaluation in Developed Versus Emerging Countries

*Jieun Park, Cleveland State University*

**Keywords:** *product ethnicity, emerging countries, country of origin*

**Description:** *Impact of product ethnicity on product evaluation in developed versus emerging countries.*

## EXTENDED ABSTRACT

### Research Questions

This paper aims to investigate the role of economic development of foreign countries in the relationship between product ethnicity and evaluations of foreign products. In other words, stereotypical roots of COO may influence consumer perceptions and product evaluation differently depending on the level of economic development.

### Method and Data

The author conducted the study, using respondents born and residing in South Korea. Respondents were exposed to stimuli related to product ethnicity (congruent or incongruent to a particular product category). A pretest was conducted to guide the selection of the product category utilized in the survey. Ballet and cell phones were chosen based upon the similarity of the dominant product-country association. The author selected Brazil and U.S. for the unmatched condition for Ballet as none of the respondents associated this country with the categories selected. Respondents were recruited from a research panel of a third-party market research vendor in South Korea where panel participants were invited to take an online survey (N = 200). To test hypotheses, an ANOVA was performed.

### Summary of Findings

Congruent (or matched) product ethnicity signals positive product evaluation and purchase intention of foreign products regardless of level of economic development of foreign countries. On the other hand, incongruent (or mismatched) product ethnicity signals positive product evaluation and purchase intention of foreign products from developed countries than those from developing countries.

### Key Contributions

There is a wealth of COO research ranging from product matches to consumer perceptions. Theoretically, however, this work brings to light new relationships between COO effect and product ethnicity in connection to a country's economic development.

The findings of this study give sufficient support to draw conclusions and give support to proposed hypotheses. The results provide businesses with insights that can indicate when to emphasize COO and which economies are most favorable.

*References are available on request.*

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# Fate and Bias: The Effect of Belief in Fate on Hope and Perceived Ad Credibility: Between and Within Cultural Analysis

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*Aimee Drolet Rossi, University of California, Los Angeles*

**Keywords:** *culture, belief in fate, hope, perceived advertisement credibility*

## EXTENDED ABSTRACT

### Research Question

This research investigates the effect of belief in fate on hope for advertised benefits and perceived ad credibility.

### Method and Data

Within and between cultural experiments and serial mediation analyses were employed to study the sequential effect of belief in fate on hope and perceived ad credibility.

### Summary of Findings

Belief in fate, when measured or manipulated, positively impacts consumers' hope for advertised benefits. Conse-

quently, hope for advertised benefits increases perceived ad credibility.

### Contributions

The cultural difference in belief in fate is shown to positively influence consumers' hope for advertised benefits. Within the same culture group, the individual difference in belief in fate also positively predicts hope for advertised benefits. Hope leads to higher levels of perceived ad credibility. When belief in fate is experimentally manipulated within the same culture group, same pattern of results is obtained.

*References are available on request.*

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# National Stereotypes and Corporate Social Irresponsibility: The Effects of Country-of-Origin Competence and Warmth on Consumer Responses to Company Misconduct

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*Patrick De Pelsmacker, University of Antwerp*

*Ingrid Moons, University of Antwerp*

**Keywords:** *country-of-origin stereotypes, competence, warmth, blame, corporate misconduct*

**Description:** *The study investigates the effects of national stereotypes of competence and warmth evoked by a company's country of origin on consumer attributions of blame and evaluative responses toward the company's products, when the company is deemed accountable for misconduct, and investigates how consumer ethnocentrism, animosity towards a country, and product category characteristics moderate the hypothesized country-of-origin effects.*

## EXTENDED ABSTRACT

By means of two survey-based experimental studies in Italy, we investigate the effects of national stereotypes of competence and warmth evoked by a company's country of origin on consumer attributions of blame and evaluative responses toward the company's products, when the company is deemed accountable for misconduct, and we investigate how consumer ethnocentrism, animosity, and product category characteristics moderate the hypothesized country-of-origin effects. Country-of-origin competence leads to a more favorable consumer attitude toward the wrongdoing company's products. This effect increases when the company sells high-involvement products or utilitarian products. Country-of-origin warmth leads to more favorable consumer attitudes toward the wrongdoing company's products directly and also indirectly through diminishing consumer attributions of blame toward the wrongdoing company. These effects increase when consumers are highly ethnocentric, or the animosity towards the country of origin is high.

## Research Question

The overall research question of the present study is to assess when and how consumers' prejudicial views about a company's country of origin (COO) (i.e., stereotypes of COO competence and warmth) affect their attributions of blame and their attitude toward the company's products, in case of a product-harm crisis, and to explore the boundary conditions of these effects. First, combining previous literature on COO and national stereotypes, the study develops theoretical insights into a company's COO dimensions of competence and warmth. It shows how these dimensions differently affect consumer evaluative responses. Second, drawing from the literature on corporate moral transgression and blame attribution, the study frames the effects of COO stereotypes in a nonroutine critical consumption setting, i.e. corporate wrongdoing, and assesses the effects of COO stereotypes on consumer attributions of blame and subsequent evaluative response toward a wrongdoing company's

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products. Third, it explores individual characteristics (i.e., consumer ethnocentrism, animosity with a country) and product category characteristics (i.e., high vs. low-involvement products, and utilitarian vs. hedonic products) as moderators of the hypothesized COO effects.

## Method and Data

We conducted two survey-based experimental studies conducted in Italian samples of consumers, testing several product harm crisis scenarios in companies varying in COO competence and warmth. In the first study, a company's COO was manipulated by creating a 2 (competence: high vs. low) x 2 (warmth: high vs. low) between-subjects experimental design. We developed a scenario describing the involvement of a Canadian (Spanish/German/Albanian) company in a case of product-harm crisis, the adulteration of chocolate. Study 2 corroborates study 1's findings, using different manipulated COOs and product categories, and assesses the moderating effects of consumer ethnocentrism, animosity, product involvement and product type. The research design was a 2 (COO competence: high vs. low) x 2 (COO warmth: high vs. low) x 2 (product involvement: high vs. low) x 2 (purchase motivation: utilitarian vs. hedonic) between-subjects experimental design. We developed a scenario describing the involvement of a U.S. (Greek/Swiss/Romanian) company in a case of product-harm crisis (defective refrigerators, hot-tubs, light bulbs, and perfumed candles). Consumers' attribution of blame and their attitude towards the products, as well as their level of ethnocentrism and animosity towards the country, were measured. The data were analyzed using Hayes' PROCESS macro.

## Summary of Findings

The results of both studies indicate that competence and warmth diminish negative evaluative responses toward the wrongdoing company's products. Thus, consumers rely on COO stereotypes of competence and warmth to evaluate companies, also in nonroutine consumption settings such as company misconducts. COO competence influences consumer attitudes toward the wrongdoing company's products directly, while its indirect impact via attributions of blame is not significant. Conversely, COO warmth increases con-

sumer attitudes toward the wrongdoer's products directly and also indirectly through the mediating effect of consumer attributions of blame. The higher the level of ethnocentrism and animosity toward a country, the stronger the direct effect of COO warmth on consumer attitudes, and its indirect effect through blame attributions. The effect of COO competence on consumer attitudes toward the company's products is stronger for high-involvement than for low-involvement products. Conversely, the effect of COO warmth on consumer attitudes is stronger for low-involvement than for high-involvement products. The effect of COO competence on consumer attitude toward the company's products is stronger for utilitarian than for hedonic products. The expected effect of warmth in case of hedonic products was not found.

## Key Contributions

Scholars have urged to advance knowledge about country of origin with respect to three directions: (1) providing novel theoretical and empirical insights to deepen the understanding of COO dimensions and of their specific effects on consumer product/brand evaluations; (2) evaluating the importance of the COO effect in new theoretical and empirical consumption settings; and (3) improving knowledge on the boundary conditions under which COO effects occur. The present research addresses these issues. First, the study goes beyond the analysis of a "good" vs. "bad" country-of-origin image dichotomization. It provides novel theoretical insights with respect to the specific effects of country-of-origin stereotypes of competence and warmth on consumers' blame attribution and attitudes toward a wrongdoing company and its products. Second, it frames the investigation of the aforementioned country-of-origin stereotypical effects in a new theoretical and empirical setting, namely corporate misconducts. Finally, it defines individual, consumer-country (i.e., consumer ethnocentrism, animosity, experience with a country) and product category characteristics (i.e., high vs. low-involvement products, and utilitarian vs. hedonic products) deemed to moderate the hypothesized country-of-origin effects.

*References are available on request.*

# Consumers' Benefit and Risk Perceptions of Cross-Border E-Commerce

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**Keywords:** *global marketplace, cross-border e-commerce, international online shopping, partial least squares, structural equation modeling*

**Description:** *This research investigates what types of perceived benefits and perceived risks determine consumers' intentions for cross-border online shopping and what factors moderate these relationships.*

## EXTENDED ABSTRACT

### Research Question

The share of online purchases that consumers conduct in foreign countries is increasing. However, little is known about which factors determine consumers' intentions for cross-border online shopping and what factors moderate this relationship. We develop and empirically test a cross-border online shopping model that is suitable to investigate cross-border online shopping behavior. In particular, this research contributes to marketing knowledge by responding to the following research questions:

1. What motivates or inhibits consumers' intentions for cross-border online shopping?
2. Which factors moderate the effects of perceived benefits and risks on intentions of cross-border online shopping?
3. How does the segment of solely domestic online shoppers differ from already experienced cross-border online shoppers?

### Method and Data

We first investigated the relevant online shopping, outshopping and cross-border literature to understand potential motivators, inhibitors and moderators of cross-border online shopping intentions. In doing so, we adapted these measures to our research context. Initially, we performed semistructured interviews with eight young consumers, who represent the target group. We then conducted an online study (N =

133) to assess the reliability and comprehensibility of our formative and reflective scales. For our main study, we generated data (N = 220) using an online questionnaire because our research aimed to analyze online shopping behaviors. AMOS 21 and SmartPLS 2.0 were used for validity testing. For testing our hypotheses, we relied on partial least squares structural equation modeling (PLS-SEM).

### Summary of Findings

Our results show that cross-border online shopping is the rule rather than the exception: the majority of respondents (56.8%) has already shopped online across borders. By using t-tests to compare the groups of experienced and inexperienced cross-border online shoppers, we found that experienced cross-border shoppers were younger, shopped more frequently online, and had better English language skills. Findings indicate that consumers' cross-border online shopping intentions are influenced by specific benefits and risks of foreign online shopping. Analyzing perceived benefits and risks of cross-border online shopping constitutes a helpful instrument in the area of international online shopping and a foundation for retail managers to understand what kind of trade-off consumers face when considering to shop online abroad. Moreover, the relationship between perceived benefits/risks and cross-border shopping intentions is partly moderated by foreign traveling and consumer cosmopolitanism. In particular, findings support a significant positive moderating effect of foreign traveling on the intention to cross-border online purchase.

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Moreover, the results support the positive influence of cosmopolitanism between perceived benefits and cross-border search intentions in online stores, though only for nonexperienced shoppers.

### **Key Contributions**

By dealing with the above mentioned research questions this research contributes to developing marketing theory by (1) offering a conceptual model for cross-border e-com-

merce and (2) theorizing and empirically testing the moderating effects of specific behavioral traits (foreign traveling) and attitudinal beliefs (cosmopolitanism) on the intentions to shop from foreign online retailers. In addition, we (3) show that the proposed relationships remain stable in comparison of experienced cross-border shoppers with solely domestic online shoppers.

*References are available on request.*

# Exploring the Effects of Perceived Cultural Intelligence on Customer Trust, Commitment, and Loyalty

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**Keywords:** *cultural intelligence, trust, commitment, loyalty*

**Description:** *This study aims to explore the effects of perceived cultural intelligence, as a second-order construct, on customer trust, commitment, and loyalty in the context of the service industry.*

## EXTENDED ABSTRACT

### Research Question

In the recent year, the phenomenon of globalization with a rapid increase in speed and scale has had considerable effects on business models in every industry, from manufacturing to healthcare (Peterson 2011). Nowadays, companies must not only function productively in cross-border situations but also interact effectively with customers from different ethnic and national groups around the world. This is particularly true in the services industry, where customers are always involved in the production and consumption process (Vargo and Lusch 2004). Hence, it is essential for service employees working in cross-cultural contexts to learn how to cope effectively with diverse cultural practices. As a result, developing and nurturing of employees' capabilities for intercultural effectiveness is a pressing need for contemporary service companies (Ang et al. 2007). Therefore, the purpose of our study is threefold:

1. To empirically validate a multidimensional hierarchical construct for measuring perceived cultural intelligence of service employees;
2. To empirically explore the impact of perceived cultural intelligence on customer trust, commitment, and loyalty in the service industry;
3. To examine the mediating roles of trust and commitment in the relationship between perceived cultural intelligence and customer loyalty.

### Method and Data

A cross-sectional questionnaire survey of hotel customers was conducted across the online platforms in France. Potential respondents were expected to have at least some experience of staying at one of the international hotels in France within the last five years. Based on the ultimate database of luxury hotels, we sent the invitation letter to marketing managers of 521 international hotels in France to ask them to participate in this study. After one month, five hotel managers agreed to assist us to send out our questionnaire to their customers. A total of 331 usable questionnaires were valid for data analysis. The final sample consisted of 183 females and 148 males, with 81.30% of respondents being 20 to 40 years of age. Almost 90% of respondents obtained high education qualifications.

### Summary of Findings

By conducting a large-scale survey in a French context, we successfully validate the multidimensional nature of perceived cultural intelligence, which comprises three components, namely cognitive cultural intelligence, motivational cultural intelligence, and behavioral cultural intelligence. Furthermore, the results support all relationships proposed in the integrated model. In particular, our results for customer trust (H1), commitment (H2), and customer loyalty (H3) are straightforward. Consistent with the hypotheses, perceived cultural intelligence has strong and significant effects on relationship quality (trust and commitment) and outcome (loyalty). This pattern of results supports our con-

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tention that cultural effectiveness capabilities of service employees such as rich cultural knowledge schemas and cross-culturally communication skills are especially important in satisfying customer needs as well as building up their trust and commitment with a service firm.

Furthermore, the findings elaborate our arguments that perceived cultural intelligence enables effective communication between customers and service employees, even when intercultural situations are stressful. Employees with high cultural intelligence exhibit flexible and culturally appropriate actions, which were expected to be crucial to interact with customers in culturally diverse situations. In addition, trust (H5) and commitment (H6) as dimensions of relationship quality positively and significantly influence customer loyalty. In a cross-cultural context, when customers feel increasingly stressful and vulnerable to an unfamiliar environment, trust plays a more important role in the consumer decision-making process. This, in turn, could lead to high levels of commitment and loyalty to a trusted service firm.

## **Key Contributions**

The present study is a first effort to examine the impact of perceived cultural intelligence on relationship quality and outcome in a service context. The results reveal direct and indirect relationships of perceived cultural intelligence with customer trust, commitment, and loyalty. From a theoretical standpoint, the findings provide, for the first time, empirical evidence on the role of perceived cultural intelligence on trust, commitment, and customer loyalty levels in the service industry. Our research has many implications for managerial practice. In terms of main effects, it shows that perceived cultural intelligence plays an important role in hotel managers' efforts to build up and maintain long-term relationships with their clients based on trust and commitment. Hence, in the cross-cultural contexts, hotel managers need to focus on detecting and further developing the cultural intelligence levels of their employees to maximize customer trust, commitment, and loyalty.

*References are available on request.*



# Do Differences in Online Shopping Types Exist? A Cross-Cultural Empirical Comparison in Fashion E-Commerce

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**Keywords:** *online consumer behavior, cross-cultural differences, global marketing strategy, e-commerce*

## EXTENDED ABSTRACT

### Research Question

We address the rising need of multinational firms to better understand consumer heterogeneity and differences in online shopping behavior in order to be successful in the highly competitive international e-commerce market. Therefore, the purpose of this paper is to shed light on the question if and how culture affects consumer shopping behavior in the online context. More specifically, we investigate if cross-country differences in online consumer shopping type behavior exist?

### Method and Data

The empirical analysis is conducted using a unique and rich panel dataset of real consumer browsing behavior of approximately 30 million off-site clickstreams from a leading European fashion e-commerce company based on five European countries: Germany, Italy, Poland, Sweden and the United Kingdom. We develop a typology framework based on shopping involvement and search behavior metrics to identify shopping types based on individual-level off-site clickstream patterns. K-means clustering algorithm by Hartigan and Wong (1979) is used to segment online consumer behavior based on predefined clickstream measures in order to identify specific shopping types of users. To test for the significance of cluster results, nonparametric statistical Kruskal-Wallis-Test (Hollander and Wolfe 1973) is used.

### Summary of Findings

Our results show that consumer off-site clickstreams show similar behavioral patterns across the five European countries under study. Even after running various cluster analyzes by country the shopping type specifications only change marginally. Consumer online behavior is largely driven by

the shopping goal of consumers and culture effects cannot be found to have a significant behavioral influence on online consumer clickstream behavior. Therewith underlining the necessity to run cross-country segmentation analyzes based on real individual-level data, compared to using simple country or macro characteristics as segmentation base to cluster homogeneous groups.

### Key Contributions

We contribute to academia and practice in at least three ways: First, our cross-cultural study is one of the few to empirically analyze country-differences in regards to online shopping types, adding another piece of knowledge to the ongoing standardization vs. adaptation discussion in international market segmentation. Multimarket firms can use our framework and approach as a guideline to segment shopping types to better understand online consumers in today's globalized world. Further, marketing managers can use the generated segmentation insights to substantially enhance global marketing strategies and the customer experience online, e.g., by personalizing the website design or more targeted and relevant advertising campaigns. Second, with our data-driven approach we are, to the best of our knowledge, one of the first to use real consumer data and do not need to rely on survey information or experimental data to analyze cultural differences of consumers in today's online world. Third, most studies have developed segmentation typologies using data from only one country, making our study especially relevant for e-commerce firms that run sales operations across borders.

*References are available on request.*

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# Attention to Country-of-Origin Information: An Eye-Tracking Approach

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**Keywords:** *country of origin, eye-tracking, attention, stereotype content model*

**Description:** *In the present paper, we applied eye-tracking to establish the conditions under which consumers attend to country-of-origin information on product packages.*

## EXTENDED ABSTRACT

### Research Question

A substantial body of research has addressed the significance of country-of-origin (COO) information in predicting consumers' product evaluations and buying intentions. In recent years, however, researchers have begun to criticize the country-of-origin construct in terms of its theoretical strength and practical relevance and have raised the question of whether the currently applied methodological approaches are sufficient to capture COO effects to their full extent (e.g., Samiee, 2010, 2011). In the present work, we apply eye-tracking to respond to one of the main criticisms of previous COO literature: namely the question of whether and when COO labels are actually taken into account prior to forming consumer judgments. In line with recent findings, we assumed that consumers would seek COO information mostly when they judge the effectiveness or competence (Rayner, Miller, and Rotello, 2008) of a product (as compared to more anthropomorphic characteristics such as its "friendliness" or warmth). Moreover, applying the Stereotype Content Model (SCM; Fiske, Cuddy, Glick, and Xu, 2002) we aimed to establish whether the exposure to COO labels would trigger country stereotypes of warmth and competence which influence consumers' subsequent product evaluations in a stereotype consistent way.

### Method and Data

Study 1 ( $N = 56$ ,  $M_{\text{age}} = 21.02$ ,  $SD_{\text{age}} = 2.24$ ) was aimed at establishing the conditions under which consumers attend to

COO information on product packages. We recorded consumers' eye-movements while they evaluated multiple products from different product categories either according to their warmth or their competence. Products were of unfamiliar or fictitious brands and varied in number and type of extrinsic information cues. Six of the presented products additionally depicted a "Made in" label from either one of six countries of origin (i.e., *Spain, Switzerland, France, Japan, Germany, and Italy*). Study 2 ( $N = 95$ ,  $M_{\text{age}} = 25.12$ ,  $SD_{\text{age}} = 7.22$ ) was designed to establish whether information on a product's COO impacts consumers' warmth and competence evaluations. For this purpose, we measured consumers eye-movements while they viewed multiple products from different product categories, six of which depicted German (typically high on competence, but low on warmth) and Spanish (typically high on warmth, but low on competence) COO labels and measured their competence (or warmth) evaluations of these products. In both studies, gaze data were collected using an SMI RED 500 eye-tracking device (Sensomotoric Instruments GmbH, Teltow, Germany) at a sampling rate of 250 Hz.

### Summary of Findings

In both studies, we found that consumers attended to COO cues relatively late ( $>2s$ ) during product evaluation. Moreover, consumers were more likely to attend to and looked longer at COO labels when their product evaluations were focused on competence (as compared to warmth). Finally, if

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attended to, COO cues triggered country stereotypes of competence (but not warmth) which subsequently impacted consumers' product evaluations in a stereotype consistent-way (i.e., products with a German COO label were judged to be more competent than products with a Spanish COO label).

### **Key Contributions**

Instead of questioning consumers, we used eye-tracking to examine whether and when consumers attend to COO information. An important limitation of prior COO research is that it has neglected the importance of *attention* to COO cues as a prerequisite for the occurrence of COO effects.

We show that, when evaluating a product, consumers detect COO cues on the product package only relatively late (>2 seconds). Considering that consumers usually spend only a (very) limited time to evaluate a product (Satomura, Wedel, and Pieters, 2014), our results imply that COO cues may, in

fact, not become fully active in influencing consumers' product judgments at the point of purchase.

We further demonstrate that, whether consumers attend to a COO label on a product package largely depends on their evaluation focus (Rayner et al., 2008) with COO cues being mainly sought for competence judgments.

Finally, we find that consumers' product competence judgments are affected by commonly shared country associations of competence.

Overall, our results imply that the "inattention to attention" in previous COO research might at least partially account for the reported absence of COO effects on consumer judgments.

*References are available on request.*

# Trust in International Business Relationships: Chinese Businesses Perceived in Africa

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**Keywords:** *trust, emerging markets, international business relationships, institutional voids, Chinese businesses, Africa*

## EXTENDED ABSTRACT

### Research Question

We investigate the nature of trust at an intermarket level specifically in the context of the ever-growing Sino-Africa business relationships, seeking to answer the following research questions: (1) How do the key dimensions of the intermarket trust toward Chinese businesses differ from those of Western businesses, in Africa? (2) What are the factors that influence the nature and change of intermarket trust in the Sino-African business relationship?

### Methods and Data

We use a qualitative ethnographic methodology, specifically a mixed interpretive methodology to investigate trust in the context of the international business relationship between Chinese and African business actors. Data analysis employed the grounded theory method as devised by Strauss and Corbin (1998) with an emergent design of inquiry, involving summary description, pattern coding, category formation and reformation, interpretation of themes and negative case analysis (Spiggle, 1994).

### Summary of Findings

This study conceptualizes intermarket trust, outlines its dimension, distinguishes it from other modes of trust (inter-

firm or interpersonal), identifies the nature of intermarket trust between businesses from two emerging markets, and proposes potential relationships for future investigation. Additionally, the conceptualization of intermarket trust contributes to the ongoing conversation about business in emerging markets, by providing a framework that systematically compares and contrasts trust characteristics at the intermarket level and the implications for emerging market contexts.

### Key Contributions

In the development of the construct of intermarket trust, we explicate from our findings, its dimensions, comparisons, interrelationships, boundaries assumptions and constraints (MacInnis, 2011; In addition, we compare the differences in trust with Chinese state-owned businesses versus Chinese nonstate owned businesses. To determine the boundary assumptions and constraints, we compare trust across different groups of the trustor market: nuances of differences in industrial and demographics.

*References are available on request.*

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# Country-of-Origin Effects and Perceived Quality of E-Services: A Categorization Approach

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**Keywords:** *e-services, country of origin, categorization, digital marketing, electronic commerce*

**Description:** *This article investigates country-of-origin effects in the context of electronic services such as mobile apps, digital games, commercial websites, and many others.*

## EXTENDED ABSTRACT

### Research Question

A vast amount of research shows that country-of-origin information can effect consumers' evaluations of perceived quality. Country of origin has a direct effect on product evaluations and an indirect effect on product evaluations through the alteration of the perception of other product attributes. Typically, consumers create country-of-origin schemas by associating product attributes to a specific country. Past research has shown that country-of-origin effects are more typical when consumers evaluate physical product attributes. However, the spillover of country-of-origin effects on consumers' evaluations of intangible e-services remains unknown. This article fills this void by illuminating the impact of country-of-origin information on consumers' evaluations of electronic services. Specifically, we intend to answer the following research questions:

1. When and why do consumers find country-of-origin information diagnostic to infer intangible e-service quality?

Based on categorization theory we expect tangible product attributes to be easier to compartmentalize and dominate country-of-origin associations. Thus, we ponder:

2. Will country-of-origin information, based on tangible product attributes, be diagnostic to assess e-service quality?

### Method and Data

A total of 365 undergraduate students from an American university participated in a 2 (country of origin: Neutral vs. Positive)  $\times$  2 (Tangibility: Tangible vs. Intangible) between-subjects experimental design. Participants were asked to imagine they were looking for a game to buy. They were shown one of four possible product descriptions including general information about a puzzle (tangible or digital) and country-of-origin information (Chinese or U.S. company). Then participants answered a questionnaire containing manipulation checks, product attributes, and dependent measures. The results were analyzed via a two-way ANOVA.

### Summary of Findings

Our findings reveal that country of origin is related to perceived quality of tangible, but not for intangible, products. Participants reported higher perceived quality in the positive, rather than neutral, country-of-origin condition when they evaluated a tangible product. When they evaluated the digital version of the product, however, perceived quality across country-of-origin conditions was not statistically different. Consistent with our theorizing, a mediation analysis shows that the activation of tangible product associations explains the findings.

### Key Contributions

Our findings show preliminary evidence that country-of-origin information triggers associations regarding tangible

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product features such as quality of materials, quality of assembly, and durability. Thus, country-of-origin information is diagnostic when evaluating tangible products. Tangible attributes, however, are not diagnostic when evaluating intangible e-services.

In the context of e-services (e.g., mobile apps, mobile games), managers should be aware that country-of-origin

information less likely to affect consumers' perceptions of quality. This finding is especially encouraging for companies from developing nations that compete in this e-service space. In a digital marketplace, companies from developing countries are less likely to face the negative country-of-origin spillover experienced when marketing tangible products.

*References are available on request.*



# Influence of Local and Foreign Visual Aesthetics and Personality Traits on Chinese Consumers' Luxury Purchase Intentions

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**Keywords:** *visual aesthetics, luxury brands, personality traits, materialism, China*

## EXTENDED ABSTRACT

### Research Question

Aesthetics refers to visual forms of objects and sensory experiences associated with texture, harmony, order, and beauty (Venkatesh and Meamber 2008). The visual aesthetic dimensions consisting of design, color, and style create the perceptions of beauty. Aesthetics is exceedingly important for luxury brands, and its features motivate consumers to engage, experience, and in turn, pay prices that are much higher than the regularly purchased products and brands.

The choice of appropriate visual aesthetics for luxury brands is even more pertinent as many Western luxury brands now rely significantly on revenues generated from the Asian markets. For example, even while the mainland China luxury goods market contracted in 2014, purchases by Chinese consumers represent about a third of the global market (D'Arpizio et al. 2014). Researchers argue about the fundamental differences in aesthetics approaches in Western and Eastern thought (Chung-Ying, 1999). For example, it is suggested that Western aesthetics pays great attention to representation or mimesis resulting in highly structured, analysis and system, while Eastern aesthetics focuses more on expression or presentation and thus emphasizes the unity of beauty and goodness (Feng, 2010). In this regard, Bourdieu (1979) theorizes that aesthetics dispositions are learnt during the formative years of an individual and are largely determined by social origin, rather than accumulated experience over time. Given the intensifying competition to capture the

share of Asian luxury market amongst Western and local luxury firms, a pivotal issue for managers is to comprehend how the differential effects of local versus foreign aesthetics embedded in their products influences purchase decisions. Surprisingly, there is no research in extant literature that offers evidence to the above effect.

Western luxury brands such as Prada, Mulberry, and Furla have continue to offer their European aesthetic experience. On the other hand, several brands including Louis Vuitton and Hermes have been carrying out interesting aesthetics experiments at design, brand and communications levels. These observations raise an important theoretical question: should a luxury firm from Western markets employ local Eastern aesthetic to cater to the fast growing Asian markets, or should they stay true to their aesthetic origins and follow the Western aesthetics philosophy?

While there seems to be a natural relationship between visual aesthetics and its influence on purchase decisions (Venkatesh et al. 2010), the differential and comparative effects of types of aesthetics has not been investigated. Beyond the aesthetics used by the firm, it is well-established that consumer purchase decisions are significantly influenced by their personality traits (Pervin 1993). Drawing on personality trait theory, this study examines how consumers' personality traits influence luxury brand purchase intentions based on the local and foreign visual aesthetics adopted by the luxury firms. This

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paper develops a novel conceptual framework incorporating four personality traits relevant for luxury goods and the type of aesthetics used, in order to hypothesize several relationships influencing the luxury purchase intentions.

## Method and Data

China was specifically chosen for its market size, an important emerging nonwestern market, presence of a variety of luxury brands using local and foreign aesthetics, and for its distinctly different aesthetic perspectives. A structured questionnaire based on established measurement scales was developed to capture participant responses. The initial instrument was designed in English and was translated in simplified Chinese by native Chinese speakers. The instrument was then back translated into English by professional translator. The final instrument was pilot tested ( $n = 25$ ) on Chinese participants.

In the final survey, the respondents were randomly assigned to one of the two conditions wherein they were exposed to images of either local or foreign aesthetics designs used by luxury brands. The images were selected based on a pretest of 16 images (8 brands that used local/Chinese aesthetics and 8 brands that used foreign/Western aesthetics). Any brand imagery or associations such as names and logos were removed from the images. The pretest respondents ( $n = 30$ ) were asked to select images that they deemed were using local aesthetics and those using foreign aesthetics. The top two images each for local and foreign aesthetics were selected for the main study.

The survey was location specific as only those IP addresses attached to China were allowed to participate in the study. The final usable sample was 427 (response rate: 38.81%), of which the local aesthetics sample was 212, and foreign aesthetics 215. The respondents' age ranged from 20–65 years with 39% of respondent between 20 and 30 years old age group and 47% belonging to 31–40 years, 70% of participants were female, and 52% had a degree.

## Summary of Findings

- First of its kind study comparing the influence of local and foreign aesthetics.
- Demonstrates how personality traits influence the preference for a particular aesthetic.

- Offers novel insights for brand, design and communication strategy for engaging emerging markets consumers.

## Key Contributions

This study is the first to explore comparative influence of types of aesthetics in determining consumer purchase intentions of luxury goods. The findings yield novel insights on the differential impact of visual aesthetics usage by luxury brands, offering substantial contribution to academic research and informing business practice. By examining the significantly important, yet under-explored segment of luxury consumers in China, the findings offer substantial contribution to extant research regarding their visual aesthetics preferences for luxury brands. While earlier studies on visual aesthetics focus on packaged goods (Reimann et al., 2010), and fashion (Workman and Caldwell, 2007), research in the domain of luxury, where aesthetics is central to product and self-expression, is so far unexplored. Given the significantly high financial and emotional investment by both the organization and the consumers for engaging in the purchase of luxury goods, the results of this study offer several critical insights.

The results have several implications for luxury brands designers, manufacturers, and brand marketing managers. The findings can significantly inform the branding, positioning and communications strategies of luxury firms in the emerging markets. For example, a brand wanting to associate itself with uniqueness perceptions among Chinese consumers should emphasize foreign aesthetics cues which reflect less uniformity and more variety, less constancy and more changes. Materialistic Chinese consumers prefer products that use foreign aesthetics and hence brands that use foreign aesthetics should highlight in their design and communication aspects such as possession importance and social standing enhancement. Since consumers have higher familiarity with local aesthetics, therefore, in order to enhance quality associations, brand managers should employ local aesthetics appeal in their communications strategy. Similarly, a western luxury brand intending to enter or establish itself with different positioning of uniqueness, social status, pleasure, self-gratification or quality can employ the above findings to customize their offering and enhance their appeal to local customers.

*References are available on request.*

# Part J

## Metrics for Making Marketing Matter

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# How Insider Trading Adds Confidence to Firm Product Innovation

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**Keywords:** *firm product innovation, insider trading, abnormal stock returns, signaling*

**Description:** *We find that preinnovation insider trading adds confidence to the expected commercial viability of new product introductions.*

## EXTENDED ABSTRACT

We study how insider stock purchasing prior to firm product innovation provides the stock market with information about the innovation's commercial viability. Using a sample of high-technology firms, we find that insider stock purchases generate substantial additional abnormal returns around a three-day event window. In addition, we find that this effect is weaker if there are lower levels of information asymmetry between the firm and its investors, if the firm enjoys a reputation for firm product innovation, and if the firm exhibits strong R&D effec-

tiveness in converting R&D investments into product sales. This evidence points to a substitution effect among alternative information signals of innovation success. Our findings link insider trading with firm product innovation and support two broad ideas: that investors use insider stock purchases in valuing firm innovation, and that they do so conditionally on the availability of alternative information signals.

*References are available on request.*

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# Managing Corporate Reputation: The Impact of Mass Media News About Corporate Attributes on Public Opinion

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**Keywords:** *corporate reputation, media coverage, news media, corporate attributes*

**Description:** *The paper analyzes the impact of everyday news media topics, their valence and amount on corporate reputation of the German DAX30 companies.*

## EXTENDED ABSTRACT

### Research Question

To what extent are corporate reputation assessments as well as its components competence and likeability affected by recent media coverage, consisting of positive and negative reports on the following six corporate attributes: firms' products, financial performance, CSR, normative logic, positioning and management?

### Method and Data

Reputation Data for the German DAX30 companies were based on surveys conducted by one of the major market research companies. TNS Infratest collected reputation data in 13 semiannual survey waves between November 2005 and November 2011 by means of computer-assisted telephone interviews in large-scale samples (1,251 to 2,465 respondents) selected to be representative of the general public in Germany.

Media data was provided by PRIME research, an international research-based consultancy specializing in media response analysis. 17 German print media outlets were analyzed covering over 75% of all newspaper readers in Germany. The coding unit relates to each single mention of a company within an article (units of meaning). Each unit of meaning was coded by topic (corporate attribute) and valence. Due to a possible negativity effect during impression formation, positive and negative information were considered separately. Our final measure for media coverage accounts for the volume and valence of news per topic category.

Data were analyzed using panel regression with fixed firm effects.

### Summary of Findings

Media coverage overall exerts only a limited impact on (established) reputation. Still, the general public is likely to provide the DAX 30 companies with better ratings if media report intensively on their market position, competitiveness, and ownership. On the other side, visibility due to bad financial performance is sanctioned, because the public seems to expect the biggest German companies to deliver good financial results constantly. This finding is particularly relevant for competence assessments of the general public. We find that negative news on firm's normative logic comprising long-range goals and strategies relate negatively to likeability.

### Key Contributions

First, this study is the first to explain the impact of mass media coverage on reputation, a key marketing metric, using six content dimensions (corporate attributes). This differentiation is indispensable in order to fully capture a detailed picture of firm attributes, which are communicated to the general public. It furthermore offers the possibility to give targeted advice on which topics communication efforts should be most successful. Moreover, the differentiation between likeability and competence offers additional insights for more directed recommended action.

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Second, by combining reputation judgments of the general public on the thirty largest German companies with an almost complete compilation of published print-media over more than five years, we are able to depict a comprehensive

picture of the interrelation between published and public opinion.

*References are available on request.*

# Does the Presence of a Customer on the Board Matter?

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**Keywords:** *marketing strategy, marketing-finance interface, board of directors, Tobin's Q, chief marketing officer, resource dependency theory, customer orientation*

**Description:** *This study examines how the presence of a customer in the boardroom impacts firm performance.*

## EXTENDED ABSTRACT

### Research Questions

1. In the context of B2B firms, we examine how the presence of a customer on the board affects firm performance.
2. We also identify the conditions under which a customer on the board has more or less influence on the firm performance

### Method and Data

We test our hypotheses using a sample of 329 B2B firms over a period of nine years (2007–2015). We use the panel structure of the data to test our hypotheses under different methods: OLS, Fixed Effects, Dynamic Panel, and Blundell-Bond Procedure.

### Summary of Findings

Having a customer on the board is positively related firm performance. Customer on the board is more important when the CEO has long tenure or when demand uncertainty is high. In contrast to that, the effectiveness of customer in

the boardroom is lower in diversified firms or in firms with high marketing department power.

### Key Contributions

This is the first study to examine how the presence of a customer in the boardroom impacts firm performance

We contribute to a growing literature on the marketing influence in the top management. This stream of research so far examined the relationship between the marketing in the top management and firm performance. We take this stream of research into the highest echelons of the organization by examining the role a customer in the boardroom.

Our results have an important implication for corporate governance literature that examines the network of board of directors. Such networks are typically assumed result in conflict of interest but our results show that they can be a valuable resource.

*References are available on request.*

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# Myopic Management: Stakeholder Antecedents and Asymmetric Responses

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**Keywords:** *myopia, finance, investors, stakeholders*

## EXTENDED ABSTRACT

Often, public firms engage in myopic management, or the practice of focusing on short-term strategies with immediate payoffs rather than longer-term payoff strategies, even when it is deemed detrimental to firm value and competitiveness (Aspen Institute 2009; Mizik 2010; Mizik and Jacobson 2007; Smith and Parenteau 2010). Extant research has established the pervasiveness of the phenomena (Graham, Harvey, and Rajgopal 2005) as managers are increasingly pressured to meet or beat short-term earnings targets. Such pressures may cause them to overemphasize strategic choices that generate more immediate and predictable results, at the expense of long-term and more uncertain profits.

Empirical research has considered several conditions which are likely to influence management to myopically adjust R&D and or advertising budgets, such as past stock returns and volatility (Chakravarty and Grewal 2011), initial public offerings (Saboo et al. 2016), seasoned equity offerings (Mizik and Jacobson 2007), and liquidity considerations (Joseph and Richardson 2002). The marketing literature, however, is mostly silent on the factors that determine which firms are more likely to engage in myopic practices and what internal and external forces may contribute to myopic behavior. Furthermore, the literature does not consider the potential for asymmetric impact of important internal and external forces on marketing vs. R&D myopic behavior. We start by investigating one such external factor: institutional investors' investment horizons. Overall, large institutional investors hold more than 70% of the total shares of U.S.-based publicly listed companies and exert disproportionately more influence compared to private investors (Attig et al. 2013).

As such, myopic management is likely to occur through deemphasizing investments in less visible, "discretionary" spending such as marketing and R&D budgets (Cohen, Mashruwala and Zach 2010; Mizik and Jacobson 2007). Myopic management in general, as well as the implications of myopic practices involving marketing and R&D investments in particular, are increasingly of interest to marketing scholars and practitioners because they hurt the value of brand assets, product portfolios, and, ultimately, firm performance (Aaker 1991; Chapman and Steenburgh 2011; Lamey et. al 2007; Mizik 2010; Mizik and Jacobson 2007; Pauwels et al. 2004). While there has been notable progress in the field, the literature thus far has taken the view that the antecedents to myopic management affect both marketing and R&D in a similar manner: i.e. research treats marketing and R&D myopia as interchangeable. However, the two processes have complementary, yet drive fundamentally different purposes in terms of temporal objectives and end goals in building value for the firm.

We focus on both external (short term institutional investors, industry and customer characteristics) and internal (CEO pay structure, stock structure) factors to explore the moderating influences on the impact of ownership type in influencing myopic actions. Thus, managers must balance a variety of (often) countervailing forces from within and outside the organization. Our research finds that it is naïve to believe that once managers decide to engage in myopic management, they would not distinguish between R&D and marketing activities that differentially create value and manage such activities in a nondiscriminating fashion. Therefore, we suggest that as managers are increasingly under pressure to perform for the short term, the influence of short term insti-

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tutional investors as well as that of other external and internal stakeholders would lead to a systematically asymmetric impact on R&D and marketing activities.

Our sample panel data consists of more than 3,000 publicly traded firms for a 10 year time period. Using panel logistic regressions with instrumental variables, we find that short-term institutional investors increase the odds that a public firm will engage in myopic behavior with R&D activities, but decrease the odds of myopic marketing behavior. Furthermore, we find evidence that in the presence of short-term institutional investors, the pay structure of the CEO increases the likelihood of myopic behavior in both strategic alternatives. In the presence of short-term institutional investors, having a dual class stock structure seems to further reduce marketing myopia, but not R&D myopia. The industry's marketing intensity seems to boost the likelihood of marketing myopia in combination with the presence of short-term institutional investors. Similarly, the industry's R&D intensity also increases the likelihood of marketing myopia, but decreases the likelihood of R&D myopia in the presence of short-term institutional investors. Finally, increasing customer related financial uncertainty and

increasing ownership by short-term institutional owners together tend to decrease the likelihood of marketing myopia only.

The findings are salient to boards of directors of public firms, who need to understand the heterogeneous impact of the investor community and other stakeholders on the proclivity of myopic actions. We further contribute to the nascent literature on myopic management in marketing by accounting for internal (top management team incentive horizon, stock ownership structure) and external (institutional investor ownership horizon, customer financial uncertainty, industry marketing and R&D intensity) factors that influence the incidence of myopic management practices in the public firm. Furthermore, we find that marketing and R&D myopic tendencies of management tend to be influenced asymmetrically by the various stakeholders' factors we identify. These factors are readily observable and at least partially under the influence of the board of directors and top management and thus can be managed (or influenced) for the benefit of the firm and its stakeholders.

*References are available on request.*

# Is Information Breach Always Costly for the Firm? An Event Study Analysis

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**Keywords:** *event study, information breach, crisis level perception*

## EXTENDED ABSTRACT

### Research Question

What is the reaction of stock market to the announcement of information breaches that happen to firms? How the attributes of events of information breaches and characteristics of responsible firms can change the stock value of responsible firms?

### Method and Data

To address these questions, this study seeks to examine the impact of attributes of the event of information breach (type of the breached information and cause of the breach) and firm characteristics (firm age, firm size and firm financial resources) on abnormal stock return of firms. Abnormal stock return is measured by Market Model.

We constructed our dataset using records and announcements from several sources. The announcements of information breach events were collected from the Privacy Rights Clearinghouse database. Due to the large number of events presented in the database, we randomly selected 150 weeks from 2005 to 2013 and we collected events that happened in those weeks. Next, we checked these announcements through the Factiva database and web search engines to verify the announcement dates and to obtain the details of events from news websites and governmental databases. Following standard practice, we dropped cases with confounding announcements within one week before and after the event to make sure that the announcements about each particular case was not affected by other announcements

(McWilliams and Siegel 1997). After following these steps, we were left with 209 cases.

We collected data to compute financial control variables from COMPUSTAT.

### Summary of Findings

Our results suggests that, among all types of breached data, only the breach of financial data is associated with negative stock return. Also, among several causes of information breaches, only the hacker/virus attack can devalue the stock return of firms. In terms of the role of firm characteristics, we did not observe any significant moderating role for firm characteristics when the breached information contains financial data. However, we found that when the breach is caused by a hacker/virus attack, firm profitability can preserve and firm leverage can harm the value of the firm. Interestingly, firm age also injures the firm value during a hacker/virus attack.

### Key Contributions

Theoretically, we extend the literature of information breach by considering the role of attributes of the event and firm characteristics in the magnitude of firms' abnormal stock returns. Managerially, we provide a solid perspective regarding the reaction of investors to information breach announcements so that managers can allocate their resources effectively against only serious breaches.

*References are available on request.*

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# Marketing Strategy After Meeting Wall Street: The Role of Information Asymmetry

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**Keywords:** *marketing-finance interface, marketing intensity, information asymmetry, Initial Public Offering (IPO)*

**Description:** *Post-IPO marketing intensity provides information to the market and marketing spending is one channel through which a firm affects its perception by the public equity market.*

## EXTENDED ABSTRACT

### Research Question

We relate marketing strategy to Initial Public Offering (IPO) process during 1980–2010. Marketing spending is one channel through which a firm affects its perception by the public equity market. We ask these questions: (1) Will firms with higher marketing intensity pre-IPO experience lower underpricing and lower absolute price? (2) Will firms with greater underpricing at IPO exhibit higher marketing intensity post-IPO? (3) Will firms with positive (negative) price revision at IPO exhibit higher (lower) marketing intensity post-IPO? (4) Will firms with higher marketing intensity exhibit greater information transparency?

### Method and Data

Our sample consists of all U.S. IPOs spanning the period 1980–2010, for which Compustat data are available for at least 5 years post IPO. Fill-ins of missing data and corrections are based on Jay Ritter's identification, CRSP and COMPUSTAT. Our final sample consists of 3,292 IPOs during the period of 1980–2010.

### Summary of Findings

We find that an increase in marketing intensity pre-IPO leads not only to smaller underpricing but also to smaller absolute price revision. This finding reinforces the findings of Luo (2008) that marketing intensity is a proxy for information revelation to market participants and as such helps resolve infor-

mation asymmetry. We also find that, post-IPO, firms with positive price revision outspend firms with negative price revision. This suggests that firms strategically respond to the interaction with the market resulting from the IPO process. While it is a sound strategy for all firms to reveal information in the pre-IPO period, the strategy is only optimal post-IPO for those firms whose information revelation has proven beneficial. Finally, we find a positive relation between marketing intensity and firm information transparency. This confirms that a firm having experienced a positive price revision at IPO time is well justified to continue its marketing spending.

### Key Contributions

By documenting the links between the result of the IPO process and firm's marketing decision, this study contributes to the literature of the marketing—finance interface in several ways. First and foremost, it adds to our knowledge that marketing spending is a critical way in which a firm communicates information to the equity market. Not only do we find further such evidence in the pre-IPO period, but we document that marketing spending also influences the information asymmetry present once the firms are public. Second, this paper complements the studies of firm behavior post-IPO by stressing that firms react strategically to the initial market reaction to the firm's public listing.

*References are available on request.*

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# A Resource-Based View of Competitive Marketing Advantage

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**Keywords:** *product investment, product portfolio expansion, marketing communications investment, customer relationship expansion, firm performance*

**Description:** *This empirical study integrates six years of household patronage data with six years of firm-level data to examine how firm, measurement, and customer characteristics moderate the relationship between product investment, product portfolio expansion, marketing communications investment, customer relationship expansion and firm performance.*

## EXTENDED ABSTRACT

We propose that four key marketing resource allocation activities—product investment, product portfolio expansion, marketing communications investment and customer relationship expansion—create advantage by influencing customer demand and value in different ways. Causal ambiguity associated with achieving advantage is not so much in identifying which activities to invest in; rather, casual ambiguity arises regarding the appropriate level of resources and effort to allocate to each activity given the moderating effects of industry, firm, measurement, and customer characteristics. We demonstrate this ambiguity by linking advantage-creating activities to three diverse measures of firm performance in a single industry: (1) individual household utility, (2) aggregate customer response, and (3) net income. The household utility analysis incorporates six years (2009–2014) of transaction data for 145,937 households patronizing 15 firms in a single geographic market. The firm-level analyses incorporate six years (2009–2014) of data for 4,484 firms spread across the United States. The results support our thesis that firm, measurement, and customer characteristics moderate the link between advantage and firm performance and tell a compelling story of an industry operating in crisis mode, overspending on marketing communications in an attempt to avoid extinction, and unable to effectively adapt to an increasingly complex, dynamic and threatening marketplace.

## Research Question

This study addresses three research questions:

1. How do firm characteristics moderate the link between product investment, product portfolio expansion, marketing communications investment, customer relationship expansion and firm performance?
2. How do measurement characteristics moderate the link between product investment, product portfolio expansion, marketing communications investment, customer relationship expansion and firm performance?
3. How do customer characteristics moderate the link between product investment, product portfolio expansion, marketing communications investment, customer relationship expansion and firm performance?

## Method and Data

We examine these moderating effects by linking advantage-creating activities to three diverse measures of firm performance in a single industry: (1) individual household utility, (2) aggregate customer response, and (3) net income. The household utility analysis incorporates six years (2009–2014) of transaction data for 145,937 households patronizing 15 firms in a single geographic market. The firm-level analyses incorporate six years (2009–2014) of data for 4,484 firms spread across the United States.

## Summary of Findings

The results support our thesis that firm, measurement, and customer characteristics moderate the link between advantage-

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creating activities and firm performance and tell a compelling story of an industry operating in crisis mode, overspending on marketing communications in an attempt to avoid extinction, and unable to effectively adapt to an increasingly complex, dynamic and threatening marketplace.

### **Key Contributions**

This study makes three key contributions.

1. We integrate diverse perspectives from the competitive advantage literature to propose a parsimonious conceptual framework that provides a fresh perspective regarding marketing's role in achieving advantage.
2. The conceptual framework explicitly recognizes that market complexity and dynamism moderate the link between advantage and firm performance (Day 2011), which pro-

duces a key insight: that is, the causal ambiguity associated with achieving advantage is not so much in identifying which activities to engage in; rather, casual ambiguity arises regarding the appropriate level of resources and effort to allocate to each activity given the moderating effects of industry, firm, measurement, and customer characteristics.

3. The triangulation of methods and measures (i.e., individual household utility, aggregate customer response, and net income) demonstrates how some advantage-creating activities attract new customers while other activities increase the utility of current customers, thereby addressing one of Marketing Science Institute's (MSI) research priorities, that is, to better understand causality, levers, and influence in a complex world.

*References are available on request.*

# Perceived Brand Age: Item Generation and Initial Validation

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**Keywords:** *age, anthropomorphization, brand personality, scale development*

**Description:** *This paper offers an item generation and initial validation of the concept “perceived brand age.”*

## EXTENDED ABSTRACT

Marketers frequently use age to signal either the youngness or the maturity of their brand and related associations such as expertise, authenticity, innovativeness, or vogueishness. However, research with an explicit focus on age dimension of brand personality is limited.

Drawing on the literature on consumer-brand relationships, brand anthropomorphization, and human aging, we offer a theory-driven conceptualization and definition of perceived brand age. This is followed by the initial steps to develop a measure for perceptual brand age dimensions, consisting of an extensive item-generation process and an initial quantitative validation.

The brand age scale consists of four perceptual age dimensions that reflect Young and Old as higher-order age dimensions; Young is reflected by two dimensions that we termed Trendy and Rejuvenating, and Old is reflected by two dimensions that we termed Experienced and Nostalgic.

This paper concludes by discussing the important managerial implication in terms of positioning brand uniquely in the eyes of the consumers.

*References are available on request.*

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# Resource Premium as an Outcome Measure of Retail Brand Equity

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**Keywords:** *retailing, retail brand equity, resource premium, marketing finance interface*

**Description:** *In this paper, we proposed resource premium as an outcome measure of retail brand equity.*

## EXTENDED ABSTRACT

### Research Questions

We answer two main research questions in our paper:

1. Which measure is more effective in evaluating and tracking retail brand equity, price premium or resource premium?
2. What is the relationship between resource premium and a firm's financial performance?

### Method and Data

We use Churchill's (1979) scale development paradigm to develop the measurement scale, including item generation and refinement, item reduction and reliability testing, confirmatory factor analysis and assessing construct predictive validity. Following measure development and refinement, survey data were collected on Mturk. The subset of clothing retail was employed to assess whether resource premium is a significant predictor of financial performance (Tobin's Q). Following collection of the survey data, secondary data on each clothing retail was collected to pair with the survey data. The secondary measures used in this study were publicly available data including objective financial performance, organization size and advertising expenditure. Using

COMPUSTAT data we utilized Chung and Pruitt's (1994) method to compute Tobin's Q.

### Summary of Findings

The results show that our measure is highly but not perfectly correlated with other retail loyalty proxies, suggesting that it reflects the main underlying construct of retail brand equity and can also tap into dimensions of retail brand equity that other measures do not reflect. Additionally, as we expected, in a retail setting, resource premium is a significant predictor of a firm's brand performance, rather than price premium, which is not significantly associated with retailer's brand performance.

### Key Contributions

By incorporating both time and effort resources into the analysis, our measures provide a valid measure to examine retail brand equity. The contribution of this article lies not only in proposing the resource premium measure of retail brand equity, but also in broadening our knowledge about defining a retailer's brand equity in today's value-conscious consumer market.

*References are available on request.*

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# Interdependence of Acquisition and Transaction Value: The Role of Quality

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**Keywords:** *perceived value, acquisition value, transaction value, missing information, purchase quantity restrictions*

**Description:** *In this research, we extend the price comparison literature by examining two retail contexts and demonstrating the interdependence of acquisition and transaction value.*

## EXTENDED ABSTRACT

### Research Question

Value was traditionally conceptualized as a sum of a) the gain (or loss) arising out of acquiring a product (acquisition value) and b) the pleasure (displeasure) attributable to the financial terms of the deal (transaction value) (Thaler, 1983). This conceptualization assumed that the two constructs are independent and additive. Grewal et al (1998) demonstrated that the two constructs were interdependent. They found that for comparative price promotions, consumers perceive a transaction value as reflective of the discount in the promoted offer which, in turn, increased its acquisition value. This relationship between transaction and acquisition value presupposes that consumers can infer the benefits from a product (essentially its quality) with considerable certainty and therefore they focus on the price information (Grewal and Compeau, 1992). However, in several purchase situations, consumers are uncertain about the benefits received from a product, i.e., its quality for reasons such as lack of knowledge about product attributes, lack of time to process information or insufficient details available for the product etc. A research question then is does price comparison explain the changes in transaction value and acquisition value when a consumer is uncertain about the benefits that one might receive from the product?

### Method and Data

In the first experiment, we recruited thirty participants from mTurks. Each participant first evaluated a laptop with eight attributes. After reviewing the stimuli, participants

responded to items measuring acquisition value (9 items, Cronbach's Alpha = .95), transaction value (3 items, Cronbach's Alpha = .89) and purchase intentions (1 item) that were all adapted from Grewal et al (1998) and used a five point Likert scale. Next, participants were randomly assigned to one of the conditions of missing product information (core vs peripheral). In the core information missing condition, three core attributes from the list of eight attributes originally shown were missing. Conversely, in the peripheral missing condition, three peripheral attributes of the laptop were missing. Participants then answered the same set of items for acquisition value, transaction value and purchase intention.

In the second experiment, two hundred and seventeen participants from Amazon's Mechanical Turks participated in a 3 (Bundle: 1 shirt vs. Bundle: 2 Shirts vs. 1 Shirt: Buy Minimum 2) \* 2 (Purchase quantity goal: No goal vs. 2 shirts goal). We manipulated purchase quantity goal and created two conditions in which participants were instructed– “You are shopping for 2 (some) men's dress shirts and you come across the following offer.”

### Summary of Findings

Study 1: There was a significant difference between the peripheral information missing and core information missing conditions on acquisition value ( $M_{\text{Peripheral}} = 34.73$ ,  $M_{\text{Core}} = 27.26$ ,  $t(1, 28) = .29$ ,  $p = .01$ ). Serial mediation analysis results suggest that acquisition value ( $\beta = -.59$ ,

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CI:  $-1.38$  to  $-.04$ ) mediated the impact of missing information on purchase intention. The path from acquisition value to transaction value was also significant ( $\beta = .28$ ,  $p = .00$ ).

Study 2: When participants were given a purchase quantity goal of two shirts, transaction value decreased significantly in the “buy minimum 2 shirts” condition relative to the other two conditions (“bundle of 2 shirts”:  $M = 6.63$ , “single shirt”:  $M = 6.23$ , “buy minimum two”:  $M = 5.39$ ). Planned contrasts revealed a significant difference between “single shirt” and “buy minimum two conditions” ( $t = 1.89$ ,  $p = .06$ ) as well as between the “bundle of 2 shirts” and the “buy minimum 2 shirts” conditions ( $t = 3.48$ ,  $p < .01$ ). Mean acquisition value was significantly higher for the “bundle with 2 shirts” condition ( $M = 6.64$ ) than the “buy minimum 2 shirts” condition ( $M = 5.79$ ,  $t = 2.34$ ,  $p < .05$ ) and “1 shirt” condition ( $M = 6.00$ ,  $t = -1.76$ ,  $p = .089$ ). Results from serial mediation analysis suggest that the overall serial mediation path is significant ( $\beta = .19$ , CI:  $.03$  to  $.37$ ). The path from transaction value to acquisition value is also significant ( $\beta = .77$ ,  $p = .00$ ).

## Key Contributions

There is a consensus that consumers’ perceptions of value from a product are captured by the two submeasures of value: acquisition value and transaction value. Therefore, understanding the interplay between these two constructs continues to be an important priority for marketing researchers. In Grewal et. al’s (1998), price comparison research, a link between transaction value and acquisition value was established. However, the conceptualization was limited to the positive effect of transaction value on acquisition value. The model did not conceptualize the effect of acquisition value on transaction value. In this research, we have shown two contexts that introduce a great deal of uncertainty about quality. Such uncertainty calls into question the conceptual underpinnings of prevalent models. Through a theoretical lens, we explain why either of the two: acquisition or transaction value, can impact the other depending on the context. Therefore, one may argue that these constructs are not independent and therefore, not additive.

*References are available on request.*



# Question-Behavior Effect: The Role of Relationship Dynamics

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**Keywords:** *question-behavior effect, relationship dynamics, commitment velocity, brand choice, customer relationship management*

**Description:** *This research provides a first-time examination of the question-behavior effect in a dynamic relationship setting by examining the impact of customers' commitment velocity on postsurvey purchase behavior.*

## EXTENDED ABSTRACT

### Research Question

Surveying consumers can affect subsequent attitudes and behaviors—a phenomenon called the question-behavior effect (QBE) (Dholakia 2010). Although QBE studies acknowledge that consumers responding to surveys have a relationship history with the surveying firm, they only consider the impact of the current level of relational metrics on the QBE (Spangenberg et al. 2016), neglecting relationships' true, dynamic nature (Zhang et al. 2016).

Research proposes that relationship dynamics are best captured by commitment velocity, which is the rate and direction of change in commitment (Palmatier et al. 2013). Beyond velocity, literature suggests other possibilities in which a sequence of events can influence customers' subsequent behavior, most prominently relationship metrics' historic average (i.e., the mean across interactions) and recency effects (overweighting of last information before evaluation formation) (Bone et al. 2016; Sivakumar, Li, and Dong 2014). Both could influence the QBE, yet the study argues that velocity supersedes both in shaping the QBE.

The authors' research is devoted to (1) examine whether commitment velocity impacts the QBE, (2) examine whether commitment velocity supersedes commitment levels' impact on the QBE and (3) distinguish commitment velocity's impact from the influence of historic averages and recency effects.

### Method and Data

The authors conducted two studies including two prestudies using controlled experiments. The experiments were carried out as a survey using scenarios to manipulate different sequences of customer-firm interactions in a service setting which were used as the treatment conditions. Participants were recruited using Amazon's Mechanical Turk (MTurk).

The objective of study 1 is to examine how different commitment velocity patterns (i.e., a particular sequence of changes in commitment level) influence survey's impact on brand choice and simultaneously disprove the alternative explanation that historic averages drive the QBE. A 2 (survey participation: yes, no) x 3 (commitment velocity: positive, no, negative) between-subjects design with brand choice as the dependent variable was used. The objective of study 2 is to disprove the alternative explanation that recency effects (i.e., the most recent change in commitment), and not commitment velocity (i.e., the overall change in commitment across all interactions), drive the QBE. A 2 (survey participation: yes, no) x 2 (commitment velocity: positive, negative) between-subjects design with brand choice as the dependent variable was used.

Differences in commitment levels between interactions were examined using analyses of variance (ANOVA), differences in the dependent variable brand choice were analyzed using binary-logistic regressions.

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## Summary of Findings

The authors demonstrate that a positive (negative) commitment velocity leads to an increase (decrease) in postsurvey purchase behavior. Furthermore, the findings yield that commitment velocity's influence on postsurvey purchase behavior holds despite identical static commitment levels after the complete sequence of interactions. Moreover, commitment velocity's influence on postsurvey behavior supersedes the influence of historic commitment average and the valence of the most recent relational dynamic (i.e., the change in commitment between the last two interactions) on postsurvey brand choice.

## Key Contributions

First, the authors deliver initial insights on the impact of relationship dynamics on postsurvey brand choice, thereby enhancing prior research on the question-behavior effect that

is carried out in static settings. Specifically, the research shows that taking into account the rate and direction of relationship change prior to survey participation helps to predict customers' responses to surveys. Second, the authors add to the scarce literature on detrimental effects of surveys on customer behavior. The results indicate that customers with a negative commitment velocity participating in a survey show a subsequent drop in purchase likelihood, while customers with a positive commitment velocity show an increase, regardless of their current commitment level. This also advances a debate in the QBE literature about which customer segments are most appropriate targets for surveys. Third, the authors provide valuable insight for practitioners on when to conduct surveys in order to improve the economics of surveys.

*References are available on request.*

# What Do You Expect? Expectations and Stock Market Response in the Motion Picture Industry

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**Keywords:** *variations of prerelease expectations, movies, event study and postrelease firm value*

**Description:** *We investigate how the variation of prerelease expectations affects firm value in the launch phase and eventually the adjustment of the firm's postlaunch stock returns in the context of the motion picture industry.*

## EXTENDED ABSTRACT

### Research Question

Marketing input and external information such as critics' reviews are major sources of information for investors' predictions of the success of a movie. Given that prerelease market expectation can be enhanced or impaired depending on the information sources, variations of prerelease market expectations has a significant influence as a critical indicator of movie quality on investors' trading stance. This paper argues that variations of prerelease expectations account for the predictable change of postrelease firm value by demonstrating that particular varying patterns of expectations adjust studios' postrelease stock valuation. We propose that temporal variations of expectations during the prerelease period affects investors' trading stance and eventually the adjustment of the studio's stock price. The variations of prelaunch expectations are generated by the dynamics of information flow which is affected by the combination of total marketing budgets, their allocation across different channels over time, product-related information such as launch timing and evaluation on quality in the prerelease period. The information inflow, which can be either controlled by firms' strategic decisions (e.g., advertising, press releases) or derived from external attentions (e.g., product reviews, media coverage), drives the fluctuation of expectations.

### Method and Data

We analyze the impact of varying patterns of aggregate expectations about new movies represented by virtual stock prices on studios' real stock price. We collected 522 movies widely released from 2006 to 2008 from The-Numbers.com. From the data, we selected 310 movies that have both the complete virtual stock price history and their studios' stock information. Our measure of prelaunch expectations comes from the virtual stock price histories obtained from the Hollywood Stock Exchange (HSX), a popular prediction market. In order to measure the change in postrelease firm value of movie studios, we used daily cumulative abnormal returns (CARs), which allow us to see how the stock price responds to the information pertaining to market expectations. In our analysis, the stock price response is measured by a five-day window CARs covering from Monday, the first trading day in the week following the event of our interest, to Friday, the fifth day. We use Functional Data Analysis to analyze the shapes of HSX price trajectories linked to 310 movies during 91 days prior to movies' release and examine which shape factors of varying expectations have a significant impact on the stock price response. To test hypotheses, the regression model consists of the firm value as dependent variable and the opening sales performance and the variations of expectations as independent variable.

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## Summary of Findings

Our findings indicate that firms' postrelease stock valuation is a function of the varying dynamics of prerelease expectations on new product performance and opening sales performance. In particular, we show a positive relationship between the opening sales performance and postrelease firm value. As a key finding, we identify a negative relationship between an increase in the last moment prerelease expectations and postrelease firm value, which suggests excessive last moment marketing leading to steeply increasing expectations can undermine postrelease firm value. We also find that the movie group whose expectations are high at the end of the prerelease period has a weaker positive relationship between the opening sales performance and postrelease firm value. The importance of our findings lies in the fact that the analysis of variations of prerelease expectations on a new product allows us to better predict the initial stock price response in the postrelease phase. Our empirical findings suggest that in order to enhance stock returns during the opening week, studios should avoid concentrated marketing activities designed to increase expectations close to the time of a

movie's release date despite the fact that such a strategy is generally employed by most studios.

## Key Contributions

The current research is the first to investigate the impact of varying patterns of aggregate expectations about new products on firm value. In particular, we examine how the variation of prerelease expectations affects firm value in the launch phase and eventually the adjustment of the firm's postlaunch stock returns in the context of the motion picture industry. We identify two crucial varying patterns of expectations that significantly affect the adjustment of postrelease stock prices: overall level (e.g., high or low mean level) and last moment change (e.g., increase or decrease) in the prerelease period. The overall level of expectations represents the mean level in the prerelease period. The last moment changes of expectations, which are often witnessed in the movie industry, show an increase or decrease in expectations near a new product's release date.

*References are available on request.*

# Flow of Customer Satisfaction Information: Impact on Management Earnings Forecasts and Financial Market

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**Keywords:** *customer satisfaction, management earnings forecasts, optimistic bias, stock returns*

**Description:** *This study examines whether customer satisfaction, measured by the American Customer Satisfaction Index (ACSI), is attributable to the issuance and bias of management earnings forecasts and whether investors react to the optimistic bias of management forecasts with respect to satisfaction.*

## EXTENDED ABSTRACT

### Research Question

Scholars across disciplines have explored how satisfaction information flows to market participants. Marketing researchers have examined the direct linkage between satisfaction and shareholder value (e.g., Fornell et al. 2006; O'Sullivan et al. 2009; Tuli and Bharadwaj 2009). Of a few recent marketing-accounting/finance interdisciplinary studies, Luo et al. (2010) and Ngobo et al. (2012) note that financial analysts as information intermediaries play a part in gathering information and making forecasts and recommendations to capital providers such as shareholders and creditors. In addition to publicly available information, analysts pay close attention to the private information released by managers about the expected profitability of investments. Investors then evaluate the return potential of investment opportunities and trade stocks based on management forecasts and analyst recommendations (Beyer et al. 2010). This implies that management forecasts of earnings have a considerable impact on other participants' financial decisions. Despite the importance of managers as initial information disseminators, little is known about their use of customer satisfaction in making management forecasts.

Managers' voluntary guidance of expected earnings and its influence on both analysts and capital providers have been well documented in the accounting literature (e.g., Hirst et

al. 2008; Pownall et al. 1993). Such managerial earnings forecasts are expected to be transparent and accurate to reflect the true value of the firm's activities (King et al. 1990). Yet, managers are often motivated to overestimate their firms' projected profitability, which exacerbates the information asymmetry issue among participants (Beyer et al. 2010). Past work has identified some incentives that are conducive to managerial forecast inaccuracy such as managers' personality traits and sociodemographic characteristics (e.g., Bamber et al. 2010; Hribar and Yang 2015). In addition to these incentives, we argue that satisfaction also influences the accuracy of managerial forecasts and whether investors react to the possible imprecision.

Drawing on empirical evidence from marketing, accounting, and finance, this research aims to examine whether customer satisfaction is attributable to the issuance and bias of management earnings forecasts and whether investors react to the optimistic bias of management forecasts with respect to satisfaction.

### Method and Data

#### *Model Specifications*

To test the effect of customer satisfaction on the likelihood to issue management forecasts, we model the forecast decision as a function of several factors related to the voluntary disclosure decision (Feng et al. 2009; Hribar and Yang

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2015). The logit model predicting the likelihood of a forecast is as follows:

$$\begin{aligned} Pr(Issue\_MF) = & \alpha_0 + \alpha_1 ACSI + \alpha_2 Analystcoverage \\ & + \alpha_3 STD\_AF + \alpha_4 Size + \alpha_5 MTB + \alpha_6 INST + \alpha_7 ROA \\ & + \alpha_8 Lag\_Loss + \alpha_9 ShrOwn + \alpha_{10} Vested \\ & + Year\ fixed\ effects + v \quad (1) \end{aligned}$$

We use coefficients on the ACSI to test the first hypothesis positing that managers whose company has high satisfaction ratings are more likely to issue voluntary forecasts. To control for endogeneity, we use the natural log of the number of analysts following the firm that influences forecast issuance (*Analystcoverage*) in the model (Feng et al. 2009). We also control for several variables affecting management earnings forecasts: information asymmetry (*STD\_AF*; Ajinkya and Gift 1984); firm size (*Size*; Bhojraj et al. 2012); market-to-book (*MTB*; Bamber and Cheon 1998); institutional ownership (*INST*; Ajinkya et al. 2005); return on assets (*ROA*; Miller 2002); negative earnings per share (*Lag\_Loss*), percentage of outstanding shares owned by senior managers (*ShrOwn*), and the number of vested options (*Vested*; Hribar and Yang 2015).

To test our second hypothesis, we propose the following model encapsulating management forecast optimism (Hribar and Yang 2015):

$$Management\ optimistic\ forecast\ bias\ (MF\_OptBias_{jt}) = \frac{MF_{jt} - AE_{jt}}{\ln(assetspershare)_{jt}}$$

where  $MF_{jt}$  is firm  $j$ 's management earning forecast for year  $t$ .  $AE_{jt}$  is firm  $j$ 's actual earnings date for year  $t$ .  $\ln(assetspershare)_{jt}$  is logged total assets per share for firm  $j$  at the end of year  $t$ .

We measure management forecast optimism ( $MF\_OptBias$ ) by the difference between management forecasts and actual earnings scaled by logged assets per share. If managers are more optimistic in their performance, they report higher forecast numbers than actual earnings. In other words, greater  $MF\_OptBias$  values indicate more optimistic management forecasts.

We then develop the model for management optimistic bias with other related variables being controlled (Hribar and Yang 2015). The regression model is as follows:

$$\begin{aligned} MF\_OptBias = & \alpha_0 + \alpha_1 ACSI + \alpha_2 Horizon + \alpha_3 STD\_AF \\ & + \alpha_4 Size + \alpha_5 Lit\_Ind + \alpha_6 MTB + \alpha_7 INST + \alpha_8 ShrOwn \\ & + \alpha_9 Vested + \alpha_{10} ROA + \alpha_{11} DACC + \alpha_{12} HHI \\ & + \alpha_{13} InvMills + Year\ fixed\ effects + v \quad (2) \end{aligned}$$

In this estimation, we choose the firms that issue management forecasts given the forecast bias is observed only in

firms whose management discloses earnings. We therefore have a censored dependent variable. In addition to all controlling variables included in the previous model, we incorporate forecast horizon (*Horizon*; Baginski and Hassel 1997), litigation risk (*Lit\_Ind*; Skinner 1994), a firm's discretionary accruals (*DACC*; Kasznik 1999), and industry concentration (*HHI*; Rogers and Stocken 2005). As the coefficient on ACSI in Equation 1 is significant, we derive the Inverse Mills ratio (*InvMills*) from the preceding model and incorporate it into any specification where the sample includes only firms with forecast issuance.

Finally, we propose the model to predict investors' reactions to management forecast optimism with respect to satisfaction. The dependent variable is specified as the size-adjusted cumulative abnormal returns (*CAR*) for a 3-day event period. If a management forecast is made on a nontrading date, the next trading date is considered as a forecast date. In the model, we add the effects of satisfaction and managerial optimism and their interaction term and include all controlling variables from the preceding equation.

$$\begin{aligned} CAR_{MF\_OptBias(-1,+1)} = & \alpha_0 + \alpha_1 ACSI \\ & + \alpha_2 ACSI \times MF\_OptBias + \alpha_3 MF\_OptBias \\ & + \alpha_4 Horizon + \alpha_5 STD\_AF + \alpha_6 Size + \alpha_7 Lit\_Ind \\ & + \alpha_8 MTB + \alpha_9 INST + \alpha_{10} ShrOwn + \alpha_{11} Vested \\ & + \alpha_{12} ROA + \alpha_{13} DACC + \alpha_{14} HHI + \alpha_{15} InvMills \\ & + Year\ fixed\ effects + v \quad (3) \end{aligned}$$

## Data

Our data is compiled using various databases: the First Call Historical Database for annual management earnings forecasts (available from 2001 to 2009); the American Customer Satisfaction Index (ACSI) for customer satisfaction; the Center for Research in Security Price (CRSP) for stock market returns; the Institutional Brokers Estimate System (I/B/E/S) for analyst forecasts; and COMPUSTAT for firm-level accounting data. We systematically merge the ACSI data with the First Call Historical Database, I/B/E/S, CRSP, and COMPUSTAT data.

As a result, we obtain a total of 424 firm-year observations with the ACSI over the 9-year period. Of these observations, we find that 46 percent ( $N = 196$ ) make management forecasts. The average ACSI of all firms is approximately 76.80. We find the significant difference in the average ACSI between firms with ( $M = 78.10$ ) and those without management forecasts ( $M = 75.69$ ).

## Summary of Findings

Our results show that customer satisfaction is positively related to the likelihood of issuing management forecasts ( $\beta = 0.057, p < 0.01$ ) after controlling for confounding fac-



tors. That is, all else being equal, a manager is more likely to make a voluntary management forecast when [s]he observes higher satisfaction ratings.

We also find that satisfaction boosts managerial optimism, which is subject to forecast issuance ( $\beta = 0.025, p < 0.01$ ). This means that managers whose firm has high satisfaction levels are likely to be optimistically biased in their earnings forecasts due to anticipation of increased future cash flows.

Lastly, we observe a positive and significant association between the ACSI and size-adjusted cumulative abnormal stock returns during an event window of 3 days ( $\beta = 0.002, p < 0.10$ ). We further find that neither the optimistic bias nor the interaction between managerial optimism and satisfaction impacts the market. This suggests that investors are susceptible to satisfaction news and do not react to the optimistic forecast resulting from satisfaction.

### **Key Contributions**

This research findings make contributions to building knowledge and providing practical insights. To the best of our knowledge, there is no published work on how customer satisfaction affects market participants altogether. This

investigation hence is first to conceptualize and empirically show not only whether customer satisfaction affects the issuance decision and (im)precision of management earnings forecasts, but also whether investors respond to the management forecast bias with respect to satisfaction. The study results enrich the marketing-accounting interface literature by integrating the core marketing metric of customer satisfaction into market performance. This research also enhances understandings of what influences managers' decision to issue a forecast, which has been lacking in the management earnings forecast literature (Hirst et al. 2008).

Our work offers practical implications for managers, investors, and regulators. The study results showing the significant impact of customer satisfaction on management earnings forecasts enable managers to make better decisions about whether and when to issue a forecast. Our research further directs capital providers' attention by informing the presence of the optimistic bias of management forecasts with respect to satisfaction. Finally, this investigation is beneficial for regulators who have concerns for the credibility of management voluntary earnings disclosures.

*References are available on request.*

# The Impact of Corporate Reputation on Corporate Risk

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**Keywords:** *corporate reputation, cost of equity, corporate risk*

**Description:** *We perform a quantitative panel study among German Blue Chip companies between 2005 and 2001 examining the impact of corporate reputation on cost of equity.*

## EXTENDED ABSTRACT

### Research Question

Does a good reputation lower corporate risk (proxied by cost of equity) even if we control for the financial halo in reputation measures?

### Method and Data

Panel regression analysis is applied in order to test hypotheses.

Reputation Data for the German DAX30 companies were based on surveys conducted by one of the major market research companies. TNS Infratest collected reputation data in 13 semiannual survey waves between November 2005 and November 2011 by means of computer-assisted telephone interviews in large-scale samples (1,251 to 2,465 respondents) selected to be representative of the general public in Germany. Financial data on the companies were extracted from DATASTREAM and similar sources.

### Summary of Findings

We find that reputation (which we split into financial reputation and nonfinancial reputation in order to properly address the endogeneity problem) lowers cost of equity.

With regard to the level of reputation, we are able to substantiate the effect reported by Cao et al. (2015), whereas we find evidence contrary to that published by Himme and Fis-

cher (2014). We offer several explanations for this discrepancy (the most substantial one being the use of a two-dimensional reputation measurement consisting of a cognitive and an affective component). In addition, our difference model shows that the effect of reputation changes takes about 6 months to kick in and that especially a loss of non-financial reputation (i.e. “true” reputation earned, e.g. by responsible and sustainable behavior) increases corporate risk.

### Key Contributions

Reputation has become one of the key metrics in marketing, too. While there is ample of evidence about the impact of reputation on stakeholder behavior and also on financial key performance indicators like ROI and share price, only 3 studies deal with the effects reputation has on corporate risk (“is it less likely to sue a company that has a good reputation?”), and those studies use a biased measure for reputation (the Fortune AMAC, known to suffer from a financial halo and not based on stakeholder surveys) and do consider the American stock market only, which may be particular due to the consequences of the ENRON scandal. Moreover, our data cover bear and bull market periods (as opposed to existing literature), making results more robust.

*References are available on request.*

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# Effects of Service Productivity, Customer Satisfaction and Employee Satisfaction on Services Firm Value

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**Keywords:** *service productivity, employee satisfaction, customer satisfaction, and firm value*

## EXTENDED ABSTRACT

### Introduction

Services have become increasingly important for the U.S. economy (Haksever and Render 2013). At the same time, the competitive business environment requires service firms to effectively and efficiently develop and sustain profitable customer relationships through improving service productivity (Rayport and Jaworski, 2005). Despite its importance, however, service productivity has been relatively under-researched likely due to the difficulty in operationalizing and measuring the construct (e.g., Grönroos and Ojasalo, 2004; Rust and Huang, 2012). The current study adopts Rust and Huang's (2012) definition whereby service productivity is operationalized as a strategic decision variable rather than simply as an outcome measure of firm performance. This research proposes a set of hypotheses to test the effect of service productivity on customer satisfaction and firm value and that of employee satisfaction on service productivity.

### Method and Data

COMPUSTAT, the American Customer Satisfaction Index (ACSI), and KLD STATS were used in testing the hypotheses. Following Rust and Huang (2012), service productivity was measured by labor wage, profit margin, market concentration, and price per unit. KLD STATS were used in creating an index for measuring employee satisfaction. Customer satisfaction was measured using the ACSI data. Return on assets (ROA) was used as an indicator for tangible assets and that brand equity was used as an indicator for intangible assets. 74 service firms were retained in the analysis after eliminating missing values and matching all three datasets. Hierarchical regression analysis was used in testing the

hypotheses. Barron and Kenny's approach (1986) was followed in examining the mediating role of service productivity and customer satisfaction in the proposed research model.

### Summary of Findings

The results showed that all hypotheses were supported. That is, service productivity positively affected ROA and customer satisfaction and that customer satisfaction positively affected ROA and brand equity. Moreover, employee satisfaction was found to have a positive effect on service productivity and customer satisfaction. Findings from this research corroborated those from prior research regarding the effects of service productivity and customer satisfaction on firm value (e.g., Anderson et al. 1994; Angelova and Zekiri 2011; Rust and Huang 2012; Basuroy et al. 2014). Furthermore, service productivity was found to fully mediate the effect of employee satisfaction on customer satisfaction and that customer satisfaction was found to fully mediate the effect of service productivity on ROA.

### Key Contributions

One theoretical contribution is that this research adopted Rust and Huang's (2012) view of service productivity as a strategic decision variable and provided converging evidence of the positive impact of service productivity on firm value in terms of tangible assets (ROA) and intangible assets (brand equity). Furthermore, this research showed that service productivity led to greater customer satisfaction, which is contrary to the counter intuitive finding from past research where service productivity was found to be negatively related to customer satisfaction (e.g., Reicheld and Sasser

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1990; Anderson et al. 1997). Another contribution is that the current research uncovered employee satisfaction as an antecedent to service productivity. Finally, the mediating role of service productivity in the effect of employee satisfaction on customer satisfaction and that of customer satis-

faction on ROA further highlights the importance of service productivity in enhancing customer satisfaction and firm value.

*References are available on request.*

# What Makes a Video Go Viral? Five-Act Dramatic Form Impacts Viral Marketing Video Shares and Views

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**Keywords:** *viral advertising video, marketing, storytelling, viral marketing, dramatic theory*

**Description:** *To shed light on creating more effective viral marketing campaigns a content analysis of 49 viral advertising videos applied dramatic theory to find that average shares and views were higher for videos that followed a five-act dramatic form and there was evidence of a positive association of number of acts in videos with shares and views.*

## EXTENDED ABSTRACT

### Research Question

RQ1: Do viral advertising videos that follow a full five-act dramatic form have significantly higher shares and views than viral ad videos that do not follow a full five-act form?

RQ2: Is there an additive effect of the number of individual acts in viral advertising videos on shares and views in viral ad videos?

### Method and Data

Unruly, a large video metrics company supplied data for viral marketing campaigns. Total views of original videos and views by ad copies plus total shares were used as measurements of virality. The sampling frame consisted of top 2,000 viral ad videos ranked by shares published from October 2013 to September 2014 on YouTube brand channels in the United States, United Kingdom, and Australia.

Videos with a share rate of .10 or above and videos with less than 100,000 views were removed as invalid. A stratified sampling technique randomly selected 15 videos within ten share-rate groups to produce a total of 150 video ads. The 150 video ads were screened removing videos with missing links and non-English language. Formulaic movie and video game trailer videos, videos with merely video game or sports footage were excluded. Total views and shares were taken

23 days after video launch date (achieve half of their total shares).

A multistep content analysis coded for five-act dramatic form from Freytag Gustav's dramatic theory (Freytag's Pyramid) using two independent coders and a third author judge. In all, 49 viral advertising videos were coded and analyzed for the number of five story acts (exposition, complication, climax, reversal, denouement) in each video.

### Summary of Findings

RQ1 independent samples *t*-tests found average total shares and views for viral advertising videos coded as full five-act dramatic form were significantly higher than average total shares and views for ads without a five-act form ( $p < .01$  and  $p < .05$ , respectively).

RQ2 linear regression analysis found an additive effect (linear relationship) with significant variance in shares and views ( $R^2 = .08$ ,  $p < .01$  total shares;  $R^2 = .05$ ,  $p < .05$  total views) revealing positive associations of number of acts in each video with shares and views ( $\beta = .29$ ,  $p < .01$  total shares;  $\beta = .22$ ,  $p < .05$  total views).

Simultaneous regression analysis confirmed unique contributions of number of acts versus video length with signifi-

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cant positive associations of acts numbers with shares and views ( $\beta = .28, p < .01$  for total shares;  $\beta = .21, p < .05$  for total views) and nonsignificant associations of video duration with shares and views ( $\beta = .03, ns$  for total shares;  $\beta = .06, ns$  for total views).

Five-act dramatic form through Freytag Gustav's dramatic theory drives virality of videos producing higher shares and views across a random sample of global brand viral advertising videos.

### **Key Contributions**

In this social media atmosphere where consumer engagement and reach is dependent on consumer opinion, a factor that contributes to viral ad success is telling a five-act story. This study was the first to find a correlation of story development (five-act dramatic form) with consumer online shares and views of viral ad videos expanding viral marketing research on virality. It also advances research in dra-

matic form theory expanding the literature on drama in TV ads to viral ad videos.

Today consumer-generated online reach is an integral part of marketing campaigns. Internet advertising will overtake TV as the largest advertising segment as consumers spend more time online than in traditional media. For pressured marketers trying to create an ad video that will draw attention, evoke emotion and motivate sharing to reach the desired online audience this research provides a framework to improve the performance of those viral marketing efforts.

Viral ad videos are more likely to be shared if they tell a story, and the more complete that story is (more acts), the better the chances of generating shares and views. These findings shed light on why people share video content and on how to design more effective viral marketing campaigns.

*References are available on request.*



# Brand Interventions and Emotional Dynamics in Online Consumer-to-Consumer Conversations: An Empirical Investigation

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**Keywords:** *consumer to consumer conversations, brand interventions, emotional dynamics, Facebook brand pages*

**Description:** *This empirical research furthers our understanding of the effect of brand interventions on emotional dynamics in online consumer-to-consumer conversations.*

## EXTENDED ABSTRACT

### Research Question

Understanding how brand interventions affect the emotional dynamics in consumer-to-consumer conversations is an important yet relatively unexplored issue in the study of online consumer brand engagement. Today's social media platforms, such as Facebook, facilitate consumer-to-consumer online conversations and enable firms to interact with consumers directly and transparently (Dellarocas, 2003, 2006). Amid consumer conversations, brands can choose to be passive or active actors (Dholakia et al., 2009) or they can take a hybrid approach to interact with consumers and contribute in consumer-to-consumer conversations (Dholakia et al., 2009; Shau, Muniz and Arnauld, 2009). Brands can also engage once with a single intervention or intervene multiple times into consumer conversations. This research explores this phenomenon on Facebook brand pages and addresses three managerially relevant questions: (1) To what extent do brand interventions affect emotional consumer engagement in online consumer-to-consumer conversations? (2) What are the most effective brand intervention strategies to improve consumer emotional engagement? and (3) Do timing and frequency of brand interventions have positive or negative reciprocal effects on consumer emotional engagement?

### Method and Data

Using a large behavioral dataset from 2,740 Facebook brand pages across 25 industry sectors, we empirically

demonstrate the effects of brand interventions on emotional dynamics in online consumer-to-consumer conversations. The sample of brands was drawn from the 2015 Inc.5000 annual brand list of the 5000 fastest-growing private companies in the United States published by Inc. Magazine. It included brands with an official Facebook brand page having at least one brand post during 2015 and at least 100 fans (likes). Data was gathered using Facebook Graph API and included all consumer conversations as well as brand interventions between 01/01/2015 to 31/12/2015. In total, there were 107,784 consumer conversation threads collected, among which 24,557 (22.78%) had brand interventions. We classified brand interventions as either "reactive" for direct replies to explicit consumer queries or "proactive" otherwise. In addition, brands often personalize their interventions on Facebook by tagging a specific consumer by name. LIWC2015 (Pennebaker et al. 2015) was used for automated content analysis identifying the proportion of positive or negative consumer comments, before and after brand interventions. An analysis of covariance (ANCOVA) tested the effects of brand proactivity, personalization, timing and frequency on consumer emotional engagement subsequent to brand intervention.

### Summary of Findings

This study empirically demonstrates the effects of brand interventions on emotional dynamics in online consumer-to-consumer conversations. The results show that brand

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interventions affect consumer emotional engagement over time. The effects are stronger on negative consumer emotional engagement and in most cases brand interventions mitigate the effect of negative consumer comments over time. However, such effects are weaker for positive consumer conversations. Moreover, our findings suggest that when brands intervene in negative conversations, they should be proactive but should not personalize their responses. Delayed interventions in negative conversations generate a greater shift in consumer emotions and have the strongest effect on reducing negative consumer engagement. The difference between single and multiple interventions is not statistically significant, suggesting that “less is more” at least from a resources point-of-view. These findings suggest that brand managers have to play a balancing act when intervening in consumer-to-consumer conversations to attenuate negative consumer comments and increase positive consumer comments as brand interven-

tions are more effective in reducing negative consumer conversations than encouraging positive ones.

### **Key Contributions**

This research extends the emotional branding literature by examining a large, longitudinal dataset of observed consumer interactions from 2,740 Facebook brand pages across 25 industry sectors and helps our understanding of how brand interventions affect the emotional dynamics in consumer-to-consumer conversations. The findings, supported by quantitative data analysis, provide preliminary evidence to Facebook brand managers in search of effective brand intervention strategies identifying crucial factors to consider in the design, monitoring and management of online consumer conversations surrounding their brands, including proactivity, personalization, timing and frequency of interventions.

*References are available on request.*

# Who Are More Influential in a Virtual World?

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**Keywords:** *online game (MMORPG), social network, interdependent preference, MCMC, autoregressive probit model*

## EXTENDED ABSTRACT

This study aims to investigate empirically whether the interdependent preference in a virtual world in massively multi-player online role-playing game (MMORPG) really exists and opinion leaders in the network could be identified. We address the following three questions using a unique datasets from MMORPG type game: (1) Interdependent of gamer's purchase behavior in MMORPG really exists, (2) Can we quantify this dependence? (3) Can we identify who are more

influential in a virtual world? Using the Bayesian autoregressive probit model, we demonstrate that there are strong and positive preference interdependence among gamers in a virtual world. Also our empirical analysis shows who are more influential on others' purchase behavior in a virtual world.

*References are available on request.*

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# Signals from the Echoverse: The Informational Value of Brand Buzz Dispersion

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**Keywords:** *social media, brand communications, online word of mouth, signaling, firm value*

**Description:** *This research examines whether and how the informational value of brand buzz metrics to investors depends on brand buzz dispersion in terms of the distribution of online brand communications across the social media landscape and the polarization of online brand communications.*

## EXTENDED ABSTRACT

### Research Questions

Defined as online communications pertaining to a brand that are transmitted via a variety of social media venue formats such as (micro-)blogs, forums and social networking sites, brand buzz is often regarded by stakeholders as a leading indicator of firm value (Hewett, Rand, Rust, and van Heerde 2016; Luo, Zhang, and Duan 2013). Despite soaring firm investments in social media monitoring and considerable research on the informational value of brand buzz metrics such as volume (i.e., the quantity of brand buzz) and valence (i.e., the positivity of brand buzz), brand managers still have little understanding of whether and how investors base their decisions on brand buzz. Drawing on signaling theory, this research offers a conceptual framework that elucidates the impact of brand buzz volume and valence on firm value while considering the moderating role of dispersion in brand buzz volume (i.e., the distribution of online brand communications across social media sites) and dispersion in brand buzz valence (i.e., the polarization of online brand communications) (Luo, Raithel, and Wiles 2013; Godes and Mayzlin 2004).

### Methods and Data

The authors empirically test their conceptual framework by matching daily-level financial data with first moment information on brand buzz (i.e. volume and valence of brand buzz) and second moment information on brand buzz (i.e.

distribution and polarization of brand buzz) for six major corporate brands. Brand buzz information is captured from text-based online communications that are obtained across 400 million individual sources representing a cross-section of the most important social media venues including blogs, forums, microblogs, and social networking sites. In line with current research on the marketing-finance interface, the authors rely on abnormal stock returns and firm-idiosyncratic risk to capture the impact of brand buzz metrics on firm value (Luo and Bhattacharya 2009). The authors analyze a system of equations using pooled seemingly unrelated regressions (Mishra and Modi 2016).

### Summary of Findings

Results show that brand buzz metrics may act as signals of firm value. Specifically, brand buzz volume is related to lower firm value in terms of lower stock returns and higher idiosyncratic risk, while brand buzz valence is related to higher firm value (i.e. higher returns and lower risk). In line with signaling theory, the findings further suggest that the impact of brand buzz volume and valence on firm value metrics is moderated by brand buzz dispersion: brand buzz dispersion weakens the negative relationship between brand buzz volume and firm value, yet it strengthens the positive relationship between brand buzz valence and firm value. Thus, value-oriented brand managers are well advised to monitor and manage brand buzz not only using first moment

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information on brand buzz (i.e., volume and valence of online brand communications) but should rather enrich them by considering second moment information on brand buzz (i.e., distribution and polarization of online brand communications).

### **Key Contributions**

First, the authors pioneer in providing a fine-grained testing of the informational value of brand buzz by simultaneously examining the impact of brand buzz volume and valence on arguably the most important firm value metrics—abnormal stock returns and firm-idiosyncratic risk. Second, prior research is based mainly on selected social media sites lim-

iting their generalizability and practicability. Thus, in this research the authors account for a variety of important social media venue formats (Hewett et al. 2016; Schweidel and Moe 2014). Third, the authors theoretically conceptualize and empirically demonstrate the moderating role of brand buzz dispersion in the relationship between brand buzz and firm value. They show that information on brand buzz dispersion enhances the signaling power of brand buzz and thus helps managers to establish a more unambiguous link between brand buzz and firm value. This is imperative to steer social media monitoring and management efforts.

*References are available on request.*

# Creatures of Habit and Creatures of Context: Mining Customers' Shopping Regularities via Nonnegative Matrix Factorization

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*James Goulding, University of Nottingham*

*Andrew Smith, University of Nottingham*

**Keywords:** *shopping routines, data mining, matrix factorization, consumer research, retail*

**Description:** *We capture and quantify regularities across customers' shopping behaviors from transactional data, using matrix factorization, then review their potential to support marketing decisions.*

## EXTENDED ABSTRACT

Individuals' daily shopping behaviors may appear idiosyncratic; however, when these behaviors are contextualized, recurring and identifiable routines emerge. Capturing and quantifying these shopping routines is significant for business decision makers, due to their link with loyalty, resource management and value creation. Existing approaches in the fields of marketing and psychology, however, often rely on theories of rational choice and planned behavior, as well as self-report approaches to quantifying habitualness. With longitudinal data sets becoming more widespread, an opportunity now exists to identify routines that are internally and externally prescribed, and quantify them in a data-driven manner. In this paper we introduce a framework for capturing and quantifying shopping routines from transactional data, using a three-stage method based on matrix factorization.

The experimental results show that customers' repertoires of recurring shopping behaviors can become more apparent when represented as linear combinations of factors. Notably, classifying individuals based on the routine they best align with assigns semantic meaning to otherwise apparently random individual behavior. Capturing the stability and variability of these routines opens up possibilities for identifying individuals whose behavior is stable, or ready for change

and allows us to predict important demographic and behavioral patterns.

## Research Question

In this study we attempt to capture and quantify shopping routines from traces of consumer behavior and show their usefulness at summarizing and personalizing customer understanding. We formulate shopping routines to mean regularly repeating activities along the day-of-the-week, time-of-the-day continuum. This reflects the focus being placed on individuals' similarity to group relevant behaviors, which are prescribed by internal as well as external rhythms. Since these are understood as constituting *contextual archetypes*, or "clusters of social contexts that could be similar" and homogeneous across social contexts, we take it as the basis for customer clustering (I. C. L. Ng et al., 2013, p.1). Behavioral summarization in this case is only secondary in order of objectives and serves the purpose of extracting managerially actionable inferences. Representing individual behavioral subtleties instead has the role of ensuring more effective and personalized customer understanding. To achieve this, we need to address the following questions:

- What recurring, meaningful structures of behavior can we identify in a sample of grocery shoppers?

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- How can we quantify their stability and variability across time, and cluster individuals based on homogeneous social contexts?

## Method and Data

To address these questions, we present a new approach for identifying and quantifying routines underlying convenience shopping behavior around which we then cluster individuals; we apply a matrix factorization approach to a Point of Sale (PoS) data set of consumers' footfall records, spanning 6 months, 12,919 individuals and 942,548 shop visits. Extending marketing and psychology research, we quantify the stability and variability in one's shopping routines across the sampled time frame. Cosine similarity is then used to infer individuals' affiliation to some community of behavior. We summarize the overall contribution of this research as follows:

1. We extract routines from matrices of daily and hourly shopping frequencies by devising a factorization technique. We quantify their stability and variability over the sampled time frame.
2. We propose a similarity measurement to estimate the alignment of each customer's behavior with group-meaningful extracted patterns. These are then used to cluster customers sharing common overarching routines.
3. We demonstrate the efficacy of this data-driven approach by summarizing inferred customer clusters, whilst gaining invaluable customer understanding from individual behavioral subtleties.

## Summary of Findings

We believe that the extraction of managerial inferences should strike the balance between "interpretability and analytic utility" (David M Blei and Lafferty, 2009). For this purpose we compared the performance of three factorization approaches, PCA, NMF and LDA. Of these, NMF best addressed our objectives, as its parts-based additive outputs showed *descriptiveness* and *semantic interpretability*, whilst maintaining *succinctness* and *predictability* in the inference of shopping routines. This allowed us to cluster customers based on the behavior they best aligned with. At the same time, each customer could

be further understood through reference to their repertoire of shopping routines.

We chose 5 factors to represent these repertoires of regularities in customers' shopping behaviors. These reflected weekday noon shopping, afternoon visits throughout the week, week-time late morning shopping, weekday early morning and weekend late morning patronage. We quantified the stability and variability of these routines to identify individuals whose behavior is stable, or ready for change. This also allowed us to predict important demographic and behavioral patterns, such as how the shopping routines of working customers differ from those of retirees.

## Key Contributions

Lee and Seung (1999) made the case for a holistic understanding of reality that relies on parts-based representations that can be learnt by the human and algorithms alike. In this case customer metrics derived from combinations of behavioral features can make recurring and identifiable routines more apparent and lift the ambiguity inherent in transactional data.

This application of factorization is relevant for better understanding loyalty and resource management. While for customers developing habits alleviates cognitive effort and time in decision making (Wood and Neal, 2009; Kahneman, 2011), shopping routines are also relevant to business decision makers and consumer research scholars. Understanding demand variation, how it is determined and how it can be influenced is an important part of service research (East et al., 1994, p. 56), while understanding the situated nature of consumption from the linking of behavioral data sets and demographic or attitudinal data can inform new product and service creation (I. C. L. Ng et al., 2013). Classifying individuals based on the routine they best align with assigns semantic meaning to otherwise apparently random individual behavior. However, as the current research has shown, it is also important to acknowledge individual marginal routines. The opportunity here resides in the possibility to identify individuals whose behavior is stable, or ready for change, as well as identifying routines in one's repertoire that are more prone for change, or interventions.

*References are available on request.*



# What Is in a Scale? How Different Measurement Scales Lead to Different Progress?

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**Keywords:** goals, numerosity, scales, roundness

**Description:** *This research examines how identical goal progress is evaluated when measured on different scales and findings demonstrate higher sense of accomplishment for goals represented with round numbers over non-round numbers.*

## EXTENDED ABSTRACT

### Research Question

Using different unit sizes or proxies on identical scales to express choice alternatives has been a common practice in many contexts (e.g., annual vs. monthly; yard vs. feet; gram vs. milligrams). These expressional differences, even though they refer to the same meaning, have been shown to impact how people process that particular numerical information, which was defined as the *numerosity effect*. On the other hand, another stream of research shows that round numbers also influence people's goal setting behavior by determining their reference points. A number of studies suggest that people exert more effort to finish above rather than below a round number even though that round number may not be a clear indicator of success overall. By combining these two streams of literature, we examine whether this rounding effect for goal setting will occur in the different scales used and thus change people's numerical goals effectively through what we term *scaleocity*. Thus, aside from the well-established numerosity effects, the measurement scales may lead to significant differences in the way people think about and work on their goals and benchmarks as well as their feeling of accomplishment. We propose and investigate the scaleocity effect proposed by this research.

### Method and Data

Study 1 examined how using different ways to measure length (e.g., metric versus nonmetric systems) affect how people report their heights on online dating websites. We

collected secondary data on heights of male members on two major dating sites in the U.S. ([www.match.com](http://www.match.com)) and in Europe ([www.meetic.com](http://www.meetic.com)).

We conducted an experimental design in our Study 2 and 3. In Study 2, 184 mTurk workers were randomly assigned to one of the six conditions in a 2 Scale (Days, Miles) x 3 Progress (Low: 8 days / 17.8 miles; Medium: 9 days / 20.1 miles) between-subjects design. All participants were provided with a common introductory scenario: "*John is training and he is running 2.23 miles daily around this town.*" Then they were informed about John's progress which was manipulated on three levels as low, medium, and high either in days or miles: "*He just completed 8 / 9 / 10 days (18 / 20 / 22 miles) of running.*"

In Study 3, 156 mTurkers were randomly assigned to one of the four conditions in a 2 Measurement Scale (Miles; Kilometers [km]) x 2 Progress (Higher; Lower) between-subjects design. All participants were given an identical scenario about John training for a race and running to reach an unidentified goal every month. The measurement of John's progress was provided either in miles or kilometers and the magnitude of distance he reached at the end of the month was either 15.1 miles (24.3 km) or 30.1 km (18.7 miles).

### Summary of Findings

Study 1 found a tendency to round up to the nearest desirable or ideal round height depending on the scale used [e.g., 180

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cm (5'11") versus 5'10" (178 cm)] significantly deviating from the actual height distributions. Contrary to the numerosity literature, people reaching smaller, but round numbers perceived themselves as being more successful compared to those reaching larger numerical magnitudes or achieving higher levels of progress on expanded scales.

Our two experimental studies confirmed these findings. For example, we observed that when the target reached was just above a round number in miles (15.1 miles) even when that number was smaller than the nonround number (24.3km) and even when the overall difference was smaller ( $0.7 < 1.1$ ), the progress was judged as larger in miles condition. On the other hand, when distance was just above a round number (30.1 km), then progress was perceived as larger in the km condition. Thus, the perception of overall achievement was determined by the roundness of the distance achieved as opposed to the numerical magnitude of step-size progress or the ultimate numerical value reached on the scale.

### **Key Contributions**

This research offers important theoretical contributions. We integrated the literature on numerosity vs. round numbers as

reference points to better understand how differences in scales affect goal-setting, goal-completion, satisfaction, and progress reporting. We identified roundness as a moderator of numerosity effect, as even lower round numbers led to perceptions of higher levels of accomplishment than did larger nonround numbers.

Our research has important implications for marketers, consumers, and policymakers. It demonstrates that a simple shift in a measurement scale can make a considerable difference in consumers' evaluations of personal goal accomplishment—which might also manifest itself as satisfaction with a product or service as well as a tendency to buy, continue using, repurchase, or switch a product or service. We observed that identical amounts of distance run, and heights expressed in different measurement scales can lead to differences of perception in goal accomplishment, sense of achievement, willingness to work harder on the goal-related task, and further still, a potential tendency to misreport or round up measurements to desirable reference points.

*References are available on request.*

# Virtual Identity vs. Actual Identity: Measurement

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**Keywords:** *virtual identity, scale development*

## EXTENDED ABSTRACT

Extensive research has shown that identity is essential to understand consumers' preference and choice (LeBoeuf and Shafir 2004), information processing (Meyers-Levy and Sternthal 1991), brand perception (Escalas and Bettman 2005), advertising perception (Lau-Gesk 2003), and more. Therefore, it is important to have reliable and valid scales to measure consumers' identity. In recent years, with the widespread Internet, consumers start to form a new identity (i.e., virtual identity), which has not been systematically investigated in the marketing literature. Virtual identity is the self the individual construes on the Internet (e.g., Bargh, McKenna, and Fitzsimons 2002). Recent research has indicated that virtual identity does exist (e.g., Turkle 1995), virtual identity is very different from people's actual identity (e.g., Bargh and McKenna 2004), and virtual identity can affect people's self-perception and social interactions (e.g., McKenna and Bargh 1998). However, there is no established scales that measures individuals' virtual versus actual identity. Hence, the purpose of this research is to develop a valid and reliable scale that captures the virtual identity construct. We followed the steps recommended by the experts in the scale development (DeVellis 2012, Gerbing and Anderson 1988).

First, by synthesizing identity formation theory (e.g., Erikson 1968), social identity theory (e.g., Tajfel and Turner 1986), virtual identity literatures, and referencing other established identity scales (e.g., Phinney 1992; Sella et al. 1995), we proposed that virtual identity is a multidimensional construct encompassing individuals' identity associated with the virtual world via four dimensions: centrality (importance and belongingness), meaning (cognitive exploration), affect (affective exploration), and behavior (behavioral exploration). Following this, we generated items to

assess each of the four dimensions; then, we submit these items to a panel of experts with the knowledge about identity theories and scale development to help refine the items.

To test the psychometrics of the virtual identity scale, four studies were conducted on the items that passed the examination of the expert panel. Using a sample representative of the U.S. consumers in study 1, the results from exploratory factor analysis and confirmatory factor analysis indicated that the virtual identity is a four-dimension construct. In addition, several iteration of factor analysis and a round of item analysis were administered to further refine the scale. As a result, the final scale contains 18 items. We also tested the internal consistency of the scale. All four subscales of virtual identity showed satisfactory reliabilities. Study 2 further examined test-retest reliability of the virtual identity scale. The overall scale and all four subscales exhibit reasonable test-retest reliabilities. Study 3 assesses the construct validity of the virtual identity scale. In particular, for convergent validity, this study exhibits that the four subscales are distinct yet correlated with each other. On the other hand, for discriminant validity, this study demonstrates that all four subdimension of virtual identity are distinct from related identity constructs, such as actual self, ideal self, and ought self. Study 4 tested the predictive validity of the virtual identity scale via an experiment. Participants were asked to complete the virtual identity scale. After that, in an ostensible unrelated study, they first engaged in a writing task, which primed their virtual versus actual identity (adapted from Trafimow et al. 1991). Then they indicated their impulsiveness tendency via impulsive consumption scale (Rook and Fisher 1995). The results showed that both the primed and the measured chronic virtual identity predict people's tendency of impulsive consumption. In conclusion, these results indicated that this virtual identity scale

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is a reliable and valid assessment for measuring the strength of individuals' virtual identity.

This research offers key theoretical contributions for virtual identity research and online consumer behavior literature. First, we advance the emerging literature on virtual identity by providing a first-ever reliable and valid instrument that can empirically measure individuals' virtual versus actual identity construct. Second, our findings also provide support for the link between virtual identity and marketing consequences, such as impulsive consumption. Combining these

two aspects, this research has paved the way for systematically examining virtual identity and its marketing consequences. Therefore, it can broaden the understanding of the impact of the virtual world from the virtual identity perspective. Finally, this research also provides important practical implications for marketers. By understanding consumers' virtual identity versus actual identity, marketers will be able to predict consumers' decisions and develop a better strategy for their marketing communication.

*References are available on request.*

# Is Customer Satisfaction a Relevant Metric for Short Sellers?

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## ABSTRACT

Although company executives are concerned with the financial and economic value of customer satisfaction and research has provided evidence of the effect of different financial metrics on short seller behavior, no studies to date have investigated the possible relationship between customer satisfaction and short seller behavior. Based on a sample of short sellers following companies measured by the American Customer Satisfaction Index (ACSI), the authors find a negative relationship between the change in customer satisfaction and the abnormal short selling interest just before and, to a lesser extent, 15 days after, the release of ACSI data. We find that the effects of customer satisfaction are asymmetric; these effects are stronger when there is an annual decrease in customer satisfaction scores than when ACSI scores increase. Furthermore, we test to see if the effects of customer satisfaction on short selling interest depend upon the base level of satisfaction that the firm has achieved the year prior. We find that the results before 2006 contrast with later years. Serendipitously, we find evidence that short sellers before 2006 seemed to have acted before the official release date when there was a decrease in customer satisfaction.

**Keywords:** *customer satisfaction, short sellers, ACSI, short interest, nonfinancial data*

## Introduction

In this paper, we examine the extent to which short sellers use customer satisfaction information to make investment decisions. This study is motivated by debates on the speed and accuracy with which market participants respond to customer satisfaction information. In a perfectly efficient market, prices fully reflect all available information (Fama, 1970). However, Fornell et al. (2006) and Aksoy et al. (2008), find that financial market participants misprice information related to customer satisfaction. Firms that do well in customer satisfaction deliver abnormal returns at lower risk (Fornell et al., 2006) but react with delay from the release of the information (Aksoy et al., 2008). Ngobo et al. (2010) measure the effects of the ACSI of financial analyst forecasting errors and find that customer satisfaction (ACSI scores) reduces errors. They also found that financial analysts use ACSI data asymmetrically. They are more willing to use increases in customer satisfaction than decreases. It was also found that analysts use customer satisfaction levels from the prior year to adjust their forecasts. We extend the existing studies by looking at the relevance of customer satisfaction for one type of participant, the short seller.

Short selling came under intense scrutiny when prices of commercial and investment bank stocks plummeted in 2008. The Securities and Exchange Commission (SEC) temporarily banned short selling of financial stocks shortly thereafter. The culmination of these events magnified the controversy surrounding practices of short selling, sparking the interest of researchers and practitioners alike (see Boehmer, Jones and Zhang, 2008; Battalio and Schultz, 2011; Harris, Namvar, and Phillips, 2013). A large body of research shows that short sellers are informed about future stock prices.<sup>1</sup> Asquith and Meulbroek (1996) provide empirical evidence that short sellers are successfully able to identify overvalued stocks. Dechow, Hutton, Meulbroek, and Sloan (2001) show that short sellers target stocks that are priced above fundamental values, such as earnings and book values. Short sellers are not only informed about the value of a firm's security, but also about the value of the firm's operating performance. Deshmukh, Gamble, and Howe (2015) show that short sell-

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<sup>1</sup>See, for example, Diamond and Verrecchia, 1987; Christophe, Ferri, and Angel, 2004; Boehmer, Jones, and Zhang, 2008; Henry and Koski, 2010; Liu, Ma, and Zhang, 2012.

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ing predicts future negative operating performance. Karpoff and Lou (2010) find that short sellers play an important role in identifying, uncovering, and mitigating the effects of financial misrepresentation. Extant literature suggests that short sellers are indeed sophisticated investors that evaluate companies and trade on information. Therefore, short selling might be a channel through which customer satisfaction information is incorporated into stock prices.

The extent to which short sellers use nonfinancial information to make real investment decisions has received limited attention. For example, Lumber Liquidators Holding Incorporation operates as a multichannel specialty retailer of hardwood flooring, and hardwood flooring enhancements and accessories. The stock price of Lumber Liquidators began spiraling downward in the end of February 2015, dropping from \$69.22 to \$29.58 over a span of 15 days. The CEO, Tom Sullivan, initially attributed the negative attention to the work of short sellers. However, in an episode of “60 Minutes,” which featured an exposé on the company, uncovered the selling of Chinese-made laminate flooring that contained unlawful levels of carcinogenic formaldehyde. Short sellers anticipated the public revelation of this illegal practice and the probable decrease in customer satisfaction. Whitney Tilson, a hedge fund manager relayed his shorting of the company’s stock to “60 Minutes.”

Customer satisfaction is one type of nonfinancial information that has received sparse attention in the literatures of accounting (Itner and Larcker 1998) and marketing (Anderson et al. 2004). A firm’s earnings prospects are influenced by customer behaviors that are influenced by their satisfaction (e.g., Gruca and Rego 2005). We extend prior literature by analyzing the relevance of customer satisfaction for one type of market participant, the short seller. Since short sellers play an important role in the valuation of a company, it is of interest to examine the speed with which they impound marketing information into their shorting behavior. If in fact informed market participants react to marketing information, we expect to find that short selling activity increases around customer satisfaction releases, particularly negative announcements.

This paper addresses several questions about the use of customer satisfaction by short sellers. First, is customer satisfaction a relevant metric for short sellers? If so, is the ACSI a timely metric for short sellers? Second, do short sellers respond asymmetrically to an increase and decrease in customer satisfaction? Third, do short sellers’ reactions to changes in customer satisfaction depend upon the company’s base level of customer satisfaction? For example, will they be more willing to use satisfaction information coming from a company with a high level of customer satisfaction

from the previous year or not? Fourth, does the volatility of a company’s prior scores have an effect on the information content of the score and thus the magnitude of short selling interest?

## Literature Review

This article draws on two distinct literatures—one that investigates the effect of customer satisfaction information and another that examines the market behavior of short sellers—to extend the literature on how sophisticated investors react to nonfinancial information such as customer satisfaction.

### Short Sellers

Prior literature suggests that short sellers differ in their effects on the market and that some specific factors account for these differences. Short sellers are particularly sophisticated investors under financial economic theory (Diamond and Verrecchia, 1997). Short sellers share much in common with analysts; they both allocate considerable resources in investigating companies, but short sellers face potentially different incentives. Due to the higher risk of using their own capital, short sellers have strong incentives to use any piece of predictive information. Research on short sellers’ use of fundamental information is growing. Dechow et al. 2001 provide evidence that short sellers use common financial analysis ratios to identify companies that are expected to drop in market value.

For the average investor, when a stock is thought to decline in market value, one would simply avoid buying the stock, or if they were in possession of the stock, they would sell it with utmost haste. Short sellers, on the other hand, are market participants that take an active position in a stock that they believe to soon be depreciating. A short sale operationally involves selling stock that is borrowed. The goal is to buy back the stock at a lower price than which it was borrowed. Simply put, the desired procedure is to first sell high then buy low. Shorting a stock incurs higher transaction costs (interest charged to borrow stock, dividend payments to the owner you borrowed the shares from, taxes) and has unlimited risk of loss. An investor that is long a stock (owns shares) is limited in loss to their initial investment (i.e., company goes bankrupt and stock becomes worthless) whereas someone shorting a stock may be forced to buy the stock back at a price that continuously rises. Short sellers are also punished for being wrong while they wait. A short sale is performed in a margin account. Many brokerages require that you hold 100% of the shorted stocks value in the account. For example, if an investor shorted 100 shares of XYZ company at \$200 a share (\$20,000 initial value) and the stock then rose to \$225 per share (value of \$22,500) the short seller would have to deposit \$2,500 in cash or securi-



ties in the account (\$20,000 from initial short and then an additional \$2,500). This is vastly different from being long (owning) shares. If the stock goes down in a nonmargin account, no extra funds are needed. If the account is on margin, a buyer can maintain a margin percentage of 50%.

Short sellers, as described by Boehmer (2008), “occupy an exalted place in the pantheon of investors as rational, informed market participants who act to keep prices in line.” Due to the higher cost and the higher risk levels placed upon shorting shares, short sellers have strong incentives to utilize any information that may be predictive in determining stock price direction (Drake et al. 2011). Any information that tells the market a company’s earnings levels may be in jeopardy or likely to decrease will cause the market to react by increasing selling pressure. Most of the research concerning short sellers uses fundamental accounting and finance data as its independent variables (Drake et al., 2015; Asquith 2004 and 2005; Dechow et al., 2001). Though the explanatory power may have been significant, there seems to be room for additional factors that may explain short interest changes. In this paper, we focus on nonfinancial information. This paper uses the nonfinancial measure (specifically marketing) of customer satisfaction provided by the American Consumer Satisfaction Index (ACSI) to measure its influence on short sale interest. We extend Drake et al. (2011) by investigating how short sellers utilize ACSI data.

Do short sellers use nonfinancial information? The literature for short sellers is limited compared to the abundant research for analysts. Furthermore, there are papers that compare and contrast the information used by analysts versus short sellers. Drake et al. (2011) find that the same financial information is used differently between the two groups. They also find a highly profitable trading strategy where an investor would trade along with the short sellers when the short interest levels are contrary to analyst recommendations. The paper also provides evidence that analysts tend to defy established research by recommending stocks where the levels of many characteristics have been shown to predict negative returns.

As for analysts, there are mixed results from the literature on the use of certain types of nonfinancial information. That being said, the research so far has focused on a specific type of nonfinancial information. From a company’s strategy and processes (Garcia-Meca and Martinez, 2007) to Total Quality Management and Human Resource Management practices (Benson et al. 2006) there is evidence that analysts do not use this data in their evaluations. Conversely, Brown (1996 and 1997) finds support that analysts use a firm’s Management’s Discussion and Analysis in the 10-K to provide guidance for their future forecasts.

The literature further investigates nonfinancial information by its effects on forecast accuracy. Though there may be conflicting reports on the use of certain types of nonfinancial information, the literature points to agreement on the effectiveness of specific types of nonfinancial information in increasing forecast accuracy. When financial statement information is used by itself there tends to be higher forecast error (Hunton, 1999). Those analysts surveyed by Ernst and Young (1999) stated they believed nonfinancial data increased their forecast accuracy. Vanstraelen et al. (2003) provide evidence that there is a positive correlation between the amount of nonfinancial data disclosed and the accuracy of analyst forecasts. This leads one to ask the more precise question of “If more information is better but some information is seen as useless, what specific type of nonfinancial information is used?”

### ***Why Customer Satisfaction?***

The analytical path why one should consider customer satisfaction as having an effect on earnings and cash flows (and thus market value), starts with the marketing literature and then flows to the accounting and finance literature. Marketing literature provides evidence that customer satisfaction leads to customer loyalty (Fornell et al. 2006). Customer loyalty leads to revenue producing, cost saving and expense lowering phenomena such as the willingness to pay higher prices (Homburg et al. 2005) and word of mouth (Luo 2009), hence enhancing revenues and lowering marketing expenses. Luo and Homburg (2008) also show that higher levels of customer satisfaction reduce the likelihood of negative customer actions such as defection, negative word of mouth, and product returns and refunds. Higher customer satisfaction can also lead to deeper and faster market penetration, which can lead to faster, and larger positive operating cash flows for the firm (Srivastana, Shervani, and Fahey 1998).

With this in mind, higher levels of customer satisfaction can signal a higher likelihood of positive and higher operating cash flows and profits. Chen and Matsumoto (2006) highlight the importance of cash flows in analysts’ earnings expectations and recommendations. Both Thomas (2002) and Jegedeesh et al. 2004 show that analysts are more likely to issue buy recommendations and less likely to issue sell recommendations. Hackel et al. (2000) and Livnat (2006) both show the influence of stronger cash flows on stock returns.

### ***Customer Satisfaction and Analysts***

Empirical research in the marketing literature has shown significant relationships between a firm’s level of customer satisfaction and its operational performance. Fornell et al. (2006) provided evidence that investing based on customer satisfaction data not only provided for better-than-market returns, it



did so at a lower level of risk. The research by Ngobo et al. (2012) found the effects of customer satisfaction scores on analyst forecast errors on earnings to be significant. Customer satisfaction was shown to have a negative effect on the magnitude of forecast errors. The use of the information was asymmetric; analysts were more willing to use good news than bad. It was also found that the higher levels of customer satisfaction reduced negative deviations more than positive deviations. The prior levels and volatility of the customer satisfaction scores used also affected analyst earnings forecasts. Their findings were in-line with Kahneman and Tversky's (1979) prospect theory. In order to not lose the opportunity to please managers, analysts will tend to downplay bad news that is received after a forecast is made. Analysts seem to want to avoid investors' loss aversion by not incorporating any news that would lower a company's earnings. Luo et al. (2010) find that positive changes in customer satisfaction tend to improve analyst recommendations and lower the range of those recommendations for each particular company.

### **Short Sellers vs. Analysts**

Drake et al. (2011) provide evidence that out of 11 financial variables that prior research has established as leading indicators of future returns, analyst failed to acknowledge 2 and defy (opposite sign coefficient) 5 of the 11 variables where short sellers used all 11 and in the expected direction. More specifically, analysts incorrectly favored stocks that had high long-term forecasted growth, low book to market values, and high accruals.

Further, another difference between short sellers and analyst not to be overlooked is that short sellers have their monetary capital on the line. An analyst can be wrong and not have any economic consequences. In addition, the time horizon between the two parties is quite different. Daske et al. (2005) and Boehmer et al. (2008) provide evidence that the mean short position lasts only 33 and 37 trading days, respectively. An analyst may release a forecast any time prior to earnings release and then may revise the forecast as more information is discovered.

In summary, this paper understands that analysts and short sellers sometimes may use the same data but may use it in different ways as seen in Drake et al. (2011). Luo et al. (2010) and Ngobo et al. (2012) show that analysts use customer satisfaction data. The questions to ask in order to fill the research gap are (1) do short sellers incorporate customer satisfaction data and (2) if they do, do they use it in the same way and/or get different results when they do?

### **Research Hypotheses**

Do short sellers see customer satisfaction as relevant?

We examine the changes of short seller interest due to changes in levels of customer satisfaction, as measured by the ACSI. Drawing on prior studies that investigate the effects of customer satisfaction on market participants (for example, Ngobo, 2012; Luo et al. 2010; Fornell et al. 2006) we specifically extend Ngobo (2012) by replacing analyst error with short interest. Based on evidence from Srivastava et al. (1998), customer satisfaction can accelerate and enhance operating cash flows. Providing the financial market with relevant information tends to lead to better decision making, decreases in uncertainty, and can enhance profits on trades (Fama and Laffer 1971). If customer satisfaction data is viewed as relevant to short sellers then there should be a decrease in short selling interest when customer satisfaction increases and an increase in short sale interest when customer satisfaction decreases. We hypothesize:

H1: There is a negative association between changes in short selling interest and changes in the level of customer satisfaction.

Do short sellers act with the same magnitude to positive and negative changes in customer satisfaction?

We test the symmetry of short seller response to positive and negative changes in customer satisfaction. Kothari (2001) provides evidence to the unbalanced reactions of analysts to good and bad news. Analysts tend to ignore or do not fully incorporate bad news and tend to overreact to good news (Easterwood and Nutt 1999). Due to the nature and levels of risk short sellers assume, we believe short sellers would react more to a negative change in ACSI than to a positive one.

H2: Decreases in ACSI scores result in larger magnitude increases in short selling interest than the magnitude of change when ACSI increase.

Due to the higher levels of risk and the shortened time horizon of short sellers, short sellers should react quickly and with magnitude to news beyond their expectations. This being the case, we ask does prior customer satisfaction levels have a moderating effect on how short sellers react to changes in customer satisfaction levels. Gómez et al. (2004) provided evidence that increasing customer satisfaction levels had decreasing effects on sales growth. We take this into consideration, thinking that a company with lower base scores will have a harder time in being profitable than those with higher scores. If these conjectures hold, short sellers would not be surprised with low scores going lower and high scores going higher. The surprise and the source of greater shifts in short selling interest would come from low initial scores going higher and higher scores going lower. In contrast, one must

also consider the shortened investing window that may cause short sellers to disregard prior year information.

H3a: The increasing effect on short selling interest by a decrease in customer satisfaction diminishes with lower base levels of customer satisfaction.

H3b: The decreasing effect on short selling interest by an increase in customer satisfaction diminishes with higher base levels of customer satisfaction.

Does customer satisfaction volatility play a significant role?

In line with considering prior customer satisfaction levels, one must consider the volatility of the scores of prior years. A change in large change in customer satisfaction from a company with more volatile scores would seem to provide less information than a large change from a more stable company. This would suggest the changes in short interest would be inversely related to the volatility of customer satisfaction levels.

H4: The volatility of prior customer satisfaction levels has an inverse effect on short seller interest.

## Data

The collection of data began with the assemblage of companies and scores from the American Customer Satisfaction Index website (theACSI.org). We then hand-matched PERMNOs and PERMCOs from the CRSP database and linked the short interest data from COMPUSTAT to create the database used. The short sell database provided the number of shares that are being held short on the 15th of each month up to the end of 2006 and the 15th and last day of the month from 2007 to present. 227 different companies were used in 38 different industries among 11 sectors defined by the ACSI over the time period of 1996–2014. This produced 2,138 firm-year observations.

The highly used and researched ACSI uses surveys to collect data on customer satisfaction of the purchase and consumption of the goods and services to date. The survey focuses on 3 areas: (1) overall satisfied feelings of the product and/or service, (2) quality received versus what was expected, and (3) level of quality received versus the level of ideal quality. Each company in each industry has their score reported once a year in the same quarter.

The primary focus of this research is on the change in short interest relative to changes in customer satisfaction. Similar to Christophe et al. (2004) and Drake et al. (2015), we adjust the short interest by the prior 90-day average. The difference between our study and the studies just mentioned is that we

use closing short interest and not short selling volume. Though there is information content in the volume of trading, we are investigating the net effect. We estimate abnormal short selling interest by adjusting the short sell interest level by its 90-day average as follows:

$$ABSS_{i,t} = \left[ \frac{SS_{i,t}}{ASI_i} \right] - 1 \quad (1)$$

Where  $SS_{i,t}$  is the short interest for company  $I$  at time  $t$  and  $ASI_i$  = the average short interest for company  $I$  for a period of 3 months that ends 12 days before the short interest date in question.

Just as Drake et al. (2015) used volume, our short interest level variable removes the normal level of short interest. This allows the research to focus on the variability that is driven by customer satisfaction.

Many of the control variables are calculated using COMPUSTAT and CRSP datasets. The market value of equity (MVE) is calculated by multiplying the common shares outstanding (CSHO) by the closing stock price at the end of the most recent quarter (PRCC\_Q). Book to market (BTM) was calculated by dividing total common equity (CEQQ) by MVE. Total accruals (TACCR) were calculated similar to Drake et al. (2011) and Collins and Hribar 2000, since the three variables used, Earnings before extraordinary items (IBCY), net cash flow from operating activities (OANCFY), and Extraordinary items and discontinued operations (XIDOCY), are in year to date format, these needed to be adjusted to quarterly values.  $TACCR = OANCFY - IBCY - XIDOCY$ . Capital expenditures (CAPEX) were calculated using the same transformation as above using a quarter—transformed CAPXY variable and dividing it by the average quarterly total assets (ATQ) values of the prior 4 quarters. Earnings to price (EP) variable was calculated using the rolling sum of the split adjusted quarterly earnings per share (EPSPXQ) (of the last four quarters and dividing it by the split adjusted price at the end of the quarter (PRCC\_Q). Sales growth (SG) was calculated by taking the rolling sum of the previous four quarters (SALESQ) and dividing it by the rolling sum of the four quarters that started one quarter before the first four. Stock price momentum (PriceMOM) is the buy and hold raw stock return for the 105 trading days (5 months) ending 21 trading days (1 month) prior to the end of the quarter. TURN, average stock turnover, was calculated by taking the average of the trading volume (VOL) divided by the shares outstanding (SHROUT \*1000).

## Descriptive Statistics

Table 1 presents the descriptive statistics among the key variables in the study. The mean abnormal short sale interest

**Table 1**

Full SAMPLE								
variable	mean	sd	p1	p25	p50	p75	p99	N
ABSS	0.029	0.292	-0.768	-0.107	0.021	0.112	1.199	1818
ABSSp15	0.002	0.151	-0.254	-0.084	-0.019	0.060	0.574	825
ACSI	76.263	6.958	56	72	77	82	88	2138
$\Delta$ ACSI	0.042	2.536	-6	-2	0	2	6	1887
ACSIVolitil	1.467	1.114	0	0.577	1.414	2.082	4.933	2138
ACSI-SI da	5.770	3.705	1	4	5	6	15	1818
lnMVE	9.736	1.539	5.794	8.830	9.836	10.812	12.597	2079
BTM	0.190	5.864	-3.157	0.157	0.344	0.588	1.915	2055
TACCR	-0.009	0.042	-0.161	-0.021	-0.007	0.006	0.063	2023
CAPEX	0.057	0.046	0.000	0.026	0.046	0.079	0.197	2118
EP	-0.085	2.027	-2.644	0.033	0.054	0.074	0.230	2102
SG	1.017	0.068	0.892	0.997	1.012	1.027	1.210	2108
PriceMOM	1.063	0.250	0.446	0.931	1.053	1.183	1.776	2111
TURN	0.009	0.011	0.000	0.003	0.006	0.010	0.051	2110

level is 2.9% (median 2.1%), which shows a slight tendency of short interest increasing before the release of ACSI data as compared to the average short interest of the prior 90 days. The ACSI customer satisfaction score average was 76.3 with a median of 77.

As for the control variables, the sample of companies, on average, have a market value of \$16.9 billion (median = \$18.7 billion) and book-to-market ratios of .19 (median = .344). BTM is skewed mostly by the negative book values of many of the airline companies and companies entering financial distress. Total accruals (TACCR) are negative and could be a result of deducting depreciation. CAPEX average 5.7% and is higher than the median of 4.6% due to some large values. The Earnings to Price (EP) ratio average is negative (-.085) due to large negative values. Sales growth (SG) average was in line with previous literature of 17%. On average, a company's turnover was 0.9%. Price momentum (PriceMOM) averages 6.3% with a median of 5.3%. Also, in line with prior studies, the mean level of short interest significantly increases from 1.15% in 1995 to 4.50% in 2014 (untabulated). This is further evidence of the impact short sellers have in the valuation process.

### Empirical Tests

Prior research suggests that it is not the release of the ACSI scores that the market reacts to per se, (Fornell et al. 2006) but the levels of customer satisfaction the market expects. This is in line with Jacobson and Mizik (2009) that state in

an efficient market, participants do not react to what was expected to happen, the market has already acted on those expectations. One could conjecture, with all the information already available, short sellers may already expect the new ACSI scores when released. This would be consistent with Itner et al. (2009) findings where the release of the ACSI scores did not influence an analyst reaction. This is why we use the change (new information) in ACSI scores and not the levels of ACSI scores (e.g. Ngobo et al. 2012). We test H1 with the following regression:

$$ABSS = \beta_1 Year + \beta_2 \Delta ACSI_t + \beta_3 \ln MVE + \beta_4 BTM + \beta_5 TACCR + \beta_6 CAPEX + \beta_7 EP + \beta_8 SG + \beta_9 PriceMOM + \beta_{10} TURN + \varepsilon \quad (2)$$

where all variables are defined previously. For parsimony, we eliminate the  $i, t$  subscripts indicating each variable is for each company in each given year.

In order to test the hypothesis of asymmetric response between positive and negative changes to customer satisfaction (hypothesis two (H2)), we split the changes in ACSI scores into negative and positive changes. We test H2 with the following model:

$$ABSS = \beta_1 Year + \beta_2 \Delta ACSI(-) + \beta_3 \Delta ACSI(+) + \beta_4 \ln MVE + \beta_5 BTM + \beta_6 TACCR + \beta_7 CAPEX + \beta_8 EP + \beta_9 SG + \beta_{10} PriceMOM + \beta_{11} TURN + \varepsilon \quad (3)$$

Where  $\Delta ACSI(-)$  represents the negative changes in ACSI scores and  $\Delta ACSI(+)$  represents changes in score that were 0 and higher. All other variables are as previously defined.

To test if last year's customer satisfaction level has an influence of short seller interest, we test the following regression

model:

$$ABSS = \beta_1 Year + \beta_2 \Delta ACSI(-) + \beta_3 \Delta ACSI(+) + \beta_4 (\Delta ACSI(-) * \ln ACSI_{t-1}) + \beta_5 (\Delta ACSI(+)) * \ln ACSI_{t-1} + \beta_6 \ln MVE + \beta_7 BTM + \beta_8 TACCR + \beta_9 CAPEX + \beta_{10} EP + \beta_{11} SG + \beta_{12} PriceMOM + \beta_{13} TURN + \varepsilon \quad (4)$$

Where  $\ln ACSI_{t-1}$  is the natural log of the company's previous year's ACSI score. The rest of the variables are as previously defined.

Similar to Ngobo (2012), we test to see if the volatility of customer satisfaction of the previous years has an impact on short selling behavior. We test hypothesis four H4 with the following regression:

$$ABSS = \beta_1 Year + \beta_2 \Delta ACSI(-) + \beta_3 \Delta ACSI(+) + \beta_4 (\Delta ACSI(-) * VolA ACSI_{t-2,t}) + \beta_5 (\Delta ACSI(+)) * VolA ACSI_{t-2,t} + \beta_6 \ln MVE + \beta_7 BTM + \beta_8 TACCR + \beta_9 CAPEX + \beta_{10} EP + \beta_{11} SG + \beta_{12} PriceMOM + \beta_{13} TURN + \varepsilon \quad (5)$$

Where  $VolA ACSI_{t-2,t}$  is the volatility of the ACSI scores of the current and prior two years. The rest of the variables are as previously defined.

## Results and Analysis

In 2007, Palgrave MacMillan published *The Satisfied Customer: Winners and Losers in the Battle for Buyer Preference* authored by Claes Fornell. Within the book, Fornell summarized much of his research on customer satisfaction and the significant success of his trading strategy using information gathered from his ACSI metric. In the fifth chapter Fornell mentions how *The Wall Street Journal* (Enrich and Pessin, October 2006) wrote an article about his superior returns and him being investigated by the SEC by stating his "good run in the market and with regulators." We split the time period in two, before 2006 and 2006 to 2014. We do this based on the two articles of his that were published in 2006 that were related.

### ACSI Relevance to Short Sellers

Table 2 provides the results of the model relating changes in levels of satisfaction and short interest. Using Model 2, we test the effects of changes in consumer satisfaction on changes in short seller interest in a symmetric manner. Table 2 shows a decrease in customer satisfaction increases the level of shares shorted ( $-.005$ ,  $p < .05$ ) for the full sample. We find it interesting that significance did

**Table 2**

ABSS	Full Sample		1996–2005		2006–2014	
	Coef.	t stat	Coef.	t stat	Coef.	t stat
$\Delta ACSI$	–0.005	–2.23**	–0.009	–1.89*	–0.002	–1.22
$\ln MVE$	–0.008	–2.00**	–0.019	–2.11**	0.002	0.74
$BTM$	–0.007	–1.85*	–0.032	–2.56**	0.001	0.3
$TACCR$	0.414	2.86***	0.986	3.91***	–0.045	–0.46
$CAPEX$	–0.361	–2.1**	–0.505	–1.57	–0.250	–3***
$EP$	0.000	0.07	0.012	0.77	0.000	0.14
$SG$	0.051	0.47	0.080	0.34	0.028	0.27
$PriceMOM$	0.016	0.87	–0.028	–0.58	0.031	2.23**
$TURN$	–0.401	–0.79	1.101	0.61	–0.334	–0.65
Centered R2		0.363		0.397		0.174
Uncentered R2		0.381		0.438		0.174
n		1512		699		813

Note: ABSS = Abnormal short selling interest (Dependent Variable);  $\Delta ACSI$  = Company's change in customer satisfaction score ( $ACSI_t - ACSI_{t-1}$ );  $\ln MVE$  = natural log of market value of equity;  $BTM$  = Book-to-market ratio;  $TACCR$  = total accruals scaled by average assets measured at the end of the previous quarter;  $CAPEX$  = rolling sum of preceding 4 quarters capital expenditures scaled by total assets;  $EP$  = Earnings (of the prior 4 quarters) to price ratio;  $SG$  = Sales growth, rolling sum of last four quarters;  $PriceMOM$  = Price momentum, buy and hold raw returns of the last 126 trading days ACSI release date;  $TURN$  = stock turnover, average daily Volume per share for last 126 trading days. \*, \*\*, and \*\*\* indicate significance at the 10%, 5%, and 1%, respectively.

not hold in the after later time period ( $-.002, p > .10$ ). In untabulated results, we run the model using the first ABSS value that can be attained after the ACSI release date and find slight significance is the primary variable  $\Delta\text{ACSI}$  ( $-.003, p < .10$ ).

### **Asymmetric Effects of Increases and Decreases in Customer Satisfaction**

We next considered the asymmetric nature of bad news on short sellers. Table 2 shows that short sellers seem to react to decreases in customer satisfaction by increasing the shares shorted ( $-0.011, p < .05$ ) but does not react significantly when there is an increase in satisfaction ( $.001, p > .10$ ). Once again, we find a loss of significance in the later time period. Possible causes for the difference will be discussed in the summary.

### **Prior Customer Satisfaction Levels Moderating Effects**

Table 4 provides results for H3 which investigates the moderating effects of prior levels of customer satisfaction on changes in short seller interest levels. We see slightly significant results for the moderating effect when there is an

increase in ACSI scores ( $-.041, p < .10$ ). This would imply only positive changes in high scores have a moderating and expected effect on short seller interest levels. When we analyze the split time periods, we see a moderate significance in the moderating effect of prior satisfaction levels when there is a decrease in customer satisfaction ( $.038, p < .05$ ). This shows that higher prior customer satisfaction levels can exacerbate short seller reaction when the satisfaction levels decrease.

### **Moderating Effects of Customer Satisfaction Volatility**

Table 5 the moderating effects of ACSI score volatility over a three year period. Unlike analysts, short sellers do not change their trading behavior based on ACSI score volatility ( $.002, p > .10$ ).

### **Extended Analysis: Regulation SHO**

Starting in January of 2005, the SEC enacted Regulation SHO in part to address the persistent failures of delivery of borrowed shares. This is called a “naked” short sale and is described on the SEC website as:

**Table 3**

ABSS	Full Sample		1996–2005		2006–2014	
	Coef.	t stat	Coef.	t stat	Coef.	t stat
$\Delta\text{ACSI} (-)$	-0.011	-2.28**	-0.021	-2.38**	-0.001	-0.45
$\Delta\text{ACSI} (+)$	0.001	0.25	0.006	0.77	-0.003	-0.96
lnMVE	-0.008	-2.07**	-0.019	-2.11**	0.002	0.76
BTM	-0.008	-2.01**	-0.035	-2.85***	0.001	0.32
TACCR	0.415	2.84***	1.005	3.89***	-0.044	-0.46
CAPEX	-0.361	-2.09**	-0.505	-1.57	-0.250	-3.01***
EP	0.001	0.23	0.016	1.04	0.000	0.13
SG	0.049	0.44	0.119	0.5	0.030	0.28
PriceMOM	0.015	0.83	-0.032	-0.64	0.031	2.23**
TURN	-0.487	-0.93	1.127	0.64	-0.316	-0.6
Centered R2		0.364		0.400		0.174
Uncentered R2		0.382		0.442		0.174
n		1512		699		813

Note: ABSS = Abnormal short selling interest (Dependent Variable);  $\Delta\text{ACSI} (-)$  = Company’s change in customer satisfaction score ( $\text{ACSI}_t - \text{ACSI}_{t-1}$ ) when negative;  $\Delta\text{ACSI} (+)$  = Company’s change in customer satisfaction score ( $\text{ACSI}_t - \text{ACSI}_{t-1}$ ) when positive; lnMVE = natural log of market value of equity; BTM = Book-to-market ratio; TACCR = total accruals scaled by average assets measured at the end of the previous quarter; CAPEX = rolling sum of preceding 4 quarters capital expenditures scaled by total assets; EP = Earnings (of the prior 4 quarters) to price ratio; SG = Sales growth, rolling sum of last four quarters; PriceMOM = Price momentum, buy and hold raw returns of the last 126 trading days ACSI release date; TURN = stock turnover, average daily volume per share for last 126 trading days. \*, \*\*, and \*\*\* indicate significance at the 10%, 5%, and 1%, respectively.



Table 4

Full Sample			1996–2005		2006–2014	
ABSS	Coef.	t stat	Coef.	t stat	Coef.	t stat
$\Delta$ ACSI (–)	–0.060	–0.47	0.062	0.22	–0.165	–2.31**
$\Delta$ ACSI (+)	0.175	1.87*	0.743	3.63***	–0.067	–0.78
modACSI(–)	0.012	0.39	–0.019	–0.28	0.038	2.28**
modACSI(+)	–0.041	–1.84*	–0.172	–3.57***	0.015	0.74
lnMVE	–0.008	–2.01**	–0.017	–1.98**	0.002	0.87
BTM	–0.008	–2.1**	–0.043	–3.44***	0.001	0.37
TACCR	0.412	2.84***	0.981	3.66***	–0.030	–0.32
CAPEX	–0.372	–2.12**	–0.559	–1.65	–0.250	–3.02***
EP	0.001	0.47	0.029	1.8*	0.000	0.03
SG	0.045	0.41	0.092	0.4	0.031	0.29
PriceMOM	0.015	0.81	–0.031	–0.66	0.030	2.23**
TURN	–0.516	–1.02	1.032	0.61	–0.275	–0.54
Centered R2		0.365		0.410		0.176
Uncentered R2		0.383		0.447		0.176
n		1512		699		813

Note: ABSS = Abnormal short selling interest (Dependent Variable);  $\Delta$ ACSI (–) = Company's change in customer satisfaction score ( $ACSI_t - ACSI_{t-1}$ ) when negative;  $\Delta$ ACSI (+) = Company's change in customer satisfaction score ( $ACSI_t - ACSI_{t-1}$ ) when positive; modACSI(–) = decreasing ACSI score \* last year's ACSI score; modACSI(+) = increasing ACSI score \* last year's ACSI score; lnMVE = natural log of market value of equity; BTM = Book-to-market ratio; TACCR = total accruals scaled by average assets measured at the end of the previous quarter; CAPEX = rolling sum of preceding 4 quarters capital expenditures scaled by total assets; EP = Earnings (of the prior 4 quarters) to price ratio; SG = Sales growth, rolling sum of last four quarters; Price-MOM = Price momentum, buy and hold raw returns of the last 126 trading days ACSI release date; TURN = stock turnover, average daily volume per share for last 126 trading days. \*, \*\*, and \*\*\* indicate significance at the 10%, 5%, and 1%, respectively.

In a “naked” short sale, the seller does not borrow or arrange to borrow the securities in time to make delivery to the buyer within the standard three-day settlement period. As a result, the seller fails to deliver securities to the buyer when delivery is due (known as a “failure to deliver” or “fail”). “Naked” short selling, however, can have negative effects on the market. Fraudsters may use “naked” short selling as a tool to manipulate the market.

<http://www.sec.gov/investor/pubs/regsho.htm>

We rerun the analyses to cover the 1996–2004 time period and measure the effects of the 2005 year on the results. We find that the inclusion of the 2005 year does not change the results significantly. We do not have any evidence to support the hypothesis that Regulation SHO had any effect on our results.

## Conclusion

The primary goal of this research is to report the existence of evidence that short sellers use customer satisfaction infor-

mation in their trading decisions. We investigated further into the asymmetric nature between increasing and decreasing customer satisfaction levels, the effects of prior levels of satisfaction on current changes in short interest, and finally to see if short sellers consider the volatility of a company's level of satisfaction effects their behavior. Due to apparent publicity of Fornell's publications in 2006 and 2007 we split the sample into 1996–2005 and 2006–2014.

Just as Ngobo et al. found in their study with analysts, we find that short sellers seem to anticipate the changes in levels of customer satisfaction before the release of the ACSI data. We also find that the relationship of short seller reaction is dominated by decreases in customer satisfaction compared to increases.

Third, we also find that prior established customer service levels have an effect on how short sellers react to subsequent changes in satisfaction. We find that overall companies with high prior scores tend to have a mitigating effect on short

Table 5

ABSS	Full Sample		1997–2005		2006–2014	
	Coef.	t stat	Coef.	t stat	Coef.	t stat
ACSIVolatility	0.002	0.23	0.002	0.12	0.001	0.08
$\Delta$ ACSI (–)	–0.010	–1.83*	–0.023	–2.02**	–0.001	–0.23
$\Delta$ ACSI (+)	0.000	0	0.005	0.54	–0.003	–0.72
lnMVE	–0.008	–2.56**	–0.018	–2.58**	0.001	0.35
BTM	–0.004	–1.27	–0.017	–1.84*	0.002	0.61
TACCR	0.249	1.74*	0.774	3.31***	–0.112	–1.06
CAPEX	–0.439	–3.13***	–0.653	–2.54**	–0.275	–3.03***
EP	0.000	0.08	0.004	0.33	0.001	0.21
SG	–0.011	–0.11	–0.024	–0.08	0.016	0.15
PriceMOM	0.001	0.06	–0.088	–1.91*	0.035	2.4**
TURN	–0.394	–0.7	0.732	0.35	–0.119	–0.2
Centered R2		0.144		0.156		0.170
Uncentered R2		0.150		0.171		0.171
n		1323		576		747

Note: ABSS = Abnormal short selling interest (Dependent Variable); ACSIVolatility = standard deviation of last three ACSI scores;  $\Delta$  ACSI (–) = Company's change in customer satisfaction score ( $ACSI_t - ACSI_{t-1}$ ) when negative;  $\Delta$  ACSI (+) = Company's change in customer satisfaction score ( $ACSI_t - ACSI_{t-1}$ ) when positive; lnMVE = natural log of market value of equity; BTM = Book-to-market ratio; TACCR = total accruals scaled by average assets measured at the end of the previous quarter; CAPEX = rolling sum of preceding 4 quarters capital expenditures scaled by total assets; EP = Earnings (of the prior 4 quarters) to price ratio; SG = Sales growth, rolling sum of last four quarters; PriceMOM = Price momentum, buy and hold raw returns of the last 126 trading days ACSI release date; TURN = stock turnover, average daily volume per share for last 126 trading days. \*, \*\*, and \*\*\* indicate significance at the 10%, 5%, and 1%, respectively.

selling interest. Conversely, we find in the latter time period that it is the companies with the higher score and declining customer satisfaction scores that increase the levels of short selling interest. Finally, we see no effect of the standard deviation of a company's prior scores effecting short seller behavior. This is in contrast with analysts, for their earnings predictions are effected by customer satisfaction volatility.

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